Atlantic Canada Opportunities Agency

Performance Report

For the period ending
March 31, 2006

Minister
Atlantic Canada Opportunities Agency

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Section I – Overview

Minister's Message

In Budget 2006, the Government of Canada made a pledge to achieve real results for Canadians in all regions of the country – and to do so in a focused and fiscally responsible way. The Budget committed to promoting a more competitive, productive Canada through measures to ensure safe, prosperous communities, small business growth and a more skilled and educated workforce.

To help carry out these commitments in Atlantic Canada, the Government whole heartedly endorses the role of the Atlantic Canada Opportunities Agency in building a strong and competitive economy in the region.

ACOA's focused, integrated approach to regional economic development works. It has helped to create employment opportunities, increased the earned income of Atlantic Canadians and improved the overall business climate in the region.

ACOA concentrates its efforts in three main areas – community development; enterprise development; and policy, advocacy and co-ordination.

As a result of ACOA's work and investments, more communities throughout the region have the tools and resources necessary to strengthen their infrastructure and economic base in order to keep their skilled workforce, attract new people and create the climate for business investment.

Today, Atlantic entrepreneurs, including women, youth and Aboriginal people, have access to the tools and resources they need to start up and expand their businesses. More businesses have the skills and resources needed to innovate and export, helping them to become more productive and competitive and create more and better paying jobs for Atlantic Canadians.

ACOA's policy research helps better equip the region to identify its economic challenges and capitalize on its opportunities. The Agency advocates for the interests of Atlantic Canadians when national economic policies and programs are being developed. The Agency also works closely with other levels of government, the business community, universities and other stakeholders to ensure co-ordination of economic development efforts and to maximize results for Atlantic Canadians.

This Departmental Performance Report will give you more detail on ACOA's work and achievements over the last year. I know you will find, as I do, that ACOA's efforts are helping to build a stronger, more innovative and more competitive Atlantic Canada.

The Honourable Peter G. MacKay
Minister of Foreign Affairs and Minister of
the Atlantic Canada Opportunities Agency

Management Representation Statement

I submit, for tabling in Parliament, the 2005-2006 Departmental Performance Report (DPR) for the Atlantic Canada Opportunities Agency (ACOA).

This document has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide for the Preparation of Part III of the 2005-2006 Estimates: Reports on Plans and Priorities and Departmental Performance Reports.*

- It adheres to the specific reporting requirements outlined in the Treasury Board of Canada Secretariat's guidance.
- It is based on ACOA's approved Program Activity Architecture structure as reflected in its Management, Resources and Results Structure.
- It presents consistent, comprehensive, balanced and reliable information.
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to the Agency.
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Monique Collette, President
Atlantic Canada Opportunities Agency

Changes in ACOA's Program Activity Architecture

Minor editorial changes were made to ACOA's Program Activity Architecture to more accurately reflect the nature of activities. No changes were made to the PAA structure itself. These changes are reflected in this DPR and the following table is provided showing previous titles from the 2005-2006 Report on Plans and Priorities.

*(Changes are indicated in **bold** type.)*

Strategic Outcome	Previous Program Activity	New Program Activity
Enterprise Development	Foster SME Development and Growth (Access to Capital)	Fostering SME Development and **Regional Economic Capacity Building**
	Access to Information	Access to **Business** Information
Community Development	Community Economic Development	Community Economic Development
	Special Response Measures	Special **Adjustment** Measures
	Infrastructure Programming	Infrastructure Programming
Policy, Advocacy and Co-ordination	Policy and Research	**Policy**
	Advocacy	Advocacy
	Co-ordination	Co-ordination

Summary Information

Raison d'être

The Agency's mandate is derived from Part I of the Government Organization Act, Atlantic Canada 1987, R.S., c G-5-7, otherwise known as the Atlantic Canada Opportunities Agency Act. Its purpose is to "increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region."

The Government of Canada remains committed to ensuring that Canadians in all parts of the country benefit from a strong economy and the services that such an economy can provide.

It is within this context that the Atlantic Canada Opportunities Agency (ACOA) is mandated to tackle the economic development challenges facing Atlantic Canada, identify and address structural weaknesses in the economy, help communities and businesses overcome barriers, and find new opportunities for growth. It is also within this context that ACOA is committed to helping the region make the transition to a more innovative, productive and competitive economy.

The Agency has three strategic outcomes that reflect its mandate of helping increase employment opportunities and earned income for Atlantic Canadians:

- **Enterprise Development** – improved growth and competitiveness of Atlantic small and medium-sized enterprises (SMEs), leading to increased productivity, earned incomes and job creation.

- **Community Development** – improved community economic infrastructure and strategic planning capacity, leading to improved employment opportunities and economic growth in the Atlantic region.

- **Policy, Advocacy and Co-ordination** – strategic, researched policy positions that reflect the region's potential; ensure regional influence on national policies and programs that affect Atlantic Canadian development and interests; and facilitate the co-ordination of other federal policies and programs within the region to form integrated approaches to development, leading to strengthened Atlantic economic development.

Operating Environment

Financial Resources ($ millions)		
Planned	Authorities	Actual
495.6	447.7	418.7

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
678	678	0

ACOA works in partnership with Atlantic Canadians to improve the economy of the region through the successful development of business and job opportunities. The Agency accomplishes this through a regional strategy that aims to improve economic performance and enhance the region's competitiveness. Working with partners in all levels of government, the private sector, academia and non-governmental organizations, ACOA seeks to advance economic opportunities and innovation in order to serve the needs of businesses, organizations, individuals and communities in Atlantic Canada.

Established in 1987, ACOA offers a broad range of programs and services designed to improve the climate for business growth. ACOA is a federal agency with a difference; its mandate and organizational structure were determined following consultations with Atlantic Canadians from across the region. The result was that, for the first time, a federal Agency charged with regional economic development in Atlantic Canada was headquartered in the Atlantic region.

The Agency takes a pro-active approach to identifying opportunities and overcoming regional barriers to growth, recognizing that an economy must have a number of conditions in place in order to succeed. The Agency's broad-based approach to regional economic development addresses the underlying structural challenges in the economy in an effective and equitable manner.

At the national level, the Agency carries out this mandate by advocating for Atlantic Canada's interests, priorities and concerns in other federal government policy-making decisions and investments that have a direct impact on the Atlantic economy.

The Agency also participates in several horizontal initiatives. It is the lead department for Team Canada Atlantic and the International Business Development Program. In addition, the Agency is a partner on several horizontal initiatives led by other federal departments.

At the regional level, ACOA conducts policy research and analysis that helps provide the intellectual foundation for a comprehensive and strategic approach to regional development. Furthermore, the Agency plays a key role in co-ordinating pan-Atlantic development strategies, programs and initiatives, working closely with the provincial governments, Atlantic universities and research institutes, business organizations, other federal departments, and other stakeholders in the region to reduce duplication and maximize impact.

Locally, the Agency works with its partners to provide communities with the tools and resources they need to build more self-reliant local economies. Partnerships are a major

element, not only in the delivery of programs and activities, but also in the development of programs and policies. ACOA partners with the private sector, universities, non-government organizations, as well as governments at all levels.

The Agency also works locally to improve the growth and competitiveness of Atlantic enterprises through a variety of programs and services designed to increase start-ups, expansions and modernizations. The Agency ensures that a wide variety of business development tools and resources are available to Atlantic entrepreneurs throughout all stages of the business life cycle, from the time they are thinking about setting up a new business, to the time they are planning for growth and expansion.[1]

ACOA's programs are strategically important. Recognizing the correlation between innovation and productivity, Agency programs place emphasis on fostering research and development, technology adoption, skills development, and the improved access to capital required to make these kinds of investments in innovation possible. The Atlantic Innovation Fund continues to be a driving force behind the latest acceleration of research and development in Atlantic Canada.

ACOA also recognizes the correlation between stimulating the growth of entrepreneurship and business skills development with economic development, as illustrated by the fact that in the 1990s, 70% of the jobs created by new firms in Atlantic Canada were attributed to small businesses.[2] The Business Development Program and other ACOA programs are helping thousands of entrepreneurs to start up and expand businesses, optimize trade and export opportunities, develop new tourism products, and to improve business management practices to grow and compete in the global economy.

Opportunities, Risks and Challenges[3]

Over the last several years, Atlantic Canada's economy has been influenced by significant investments in transportation, mining and manufacturing, as well as the development of offshore oil and gas facilities. These large projects generated spin-off effects throughout the region's economy, especially in the construction and business services sectors.

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[1] For more information on business tools, see ACOA's website at http://www.acoa-apeca.gc.ca/e/en/index.asp.

[2] Atlantic Canada Opportunities Agency, *The State of Small Business and Entrepreneurship, Atlantic Canada, 2005*.

[3] Statistical data presented in this section are from the following sources:
Statistics Canada – Gross Domestic Product, *Provincial and Territorial Economic Accounts Review*, #13-016-XIE, 2006;
Statistics Canada – Labour Market, *Labour Force Historical Review*, #71F004XCB, 2006;
Statistics Canada – Population, *Quarterly Demographic Estimates*, #91-002-XIE;
Industry Canada – Exports, *Trade Data On-Line*, Strategis, 2006.

Positive economic conditions have led to growth in employment, increased participation rates, and a decline in unemployment in Atlantic Canada. The overall unemployment rate in Atlantic Canada has declined, although unemployment remains high in rural areas. The lowest rates of unemployment are currently found in the region's urban areas, including St. John's, Halifax, Fredericton, Saint John and Moncton. Among rural areas, unemployment posed significant challenges in Cape Breton, northeastern New Brunswick, and certain parts of Newfoundland and Labrador.

The Atlantic economy continues to face a number of long-standing issues, including out-migration, adjustment in the natural resource industries, development of knowledge-based sectors, low productivity, and enhanced global competition that, together, will influence economic performance over the short to medium terms.

Gross Domestic Product

Growth in Atlantic Canada's economy averaged 2.8% over the last decade, somewhat below the national rate of expansion of 3.3%. Over the last the two years, however, the rate of growth in the Atlantic economy has slowed noticeably in comparison with the national pace. Real gross domestic product in Atlantic Canada grew at an annual average rate of 0.9% over 2004 and 2005, compared with 3.1% for Canada. Weaker economic conditions in the region were experienced across both the goods and service-producing sectors of the economy.

For 2005, output in the goods-producing industries fell by 1.8% in Atlantic Canada due to decreased activity in fishing, forestry and manufacturing. The region's resource-based industries struggled throughout the year due to weak demand and a strong dollar.

The appreciation of the Canadian dollar since the end of 2002 has posed a significant challenge to Atlantic Canadian firms that are highly exposed to international trade. Employment in the region's manufacturing sector fell from 108,000 in 2004 to 99,000 in 2005 – a reduction of 9,000 or 8.3%.

Activity in the region's services-producing industries expanded by 1.8% in 2005 due to good growth in retail and wholesale trade, transportation, and the information and cultural industries.

Labour Market

Atlantic Canada's labour market experienced some challenges in 2005. Following growth of 2.0% in 2004, employment in the region rose by only 0.2%, or 2,400 individuals, in 2005 – its weakest performance since 1996. The unemployment rate in Atlantic Canada declined to 10.4% from 10.8% in the previous year, attaining its lowest level in 30 years. However, this decline resulted partly from individuals leaving the labour market due to poor employment prospects. After increasing steadily over the past eight years, the region's participation rate fell to 62.8% in 2005, just below its 2004 record level of 63.1%.

Population
The population of Atlantic Canada fell by 0.3% between April 2005 and April 2006, while the total number of people in Canada went up by 1%. Prince Edward Island registered a gain in population; however, the other three Atlantic provinces experienced a decline.

Exports
Foreign exports of commodities from Atlantic Canada increased by 8% in 2005. This was driven by a large increase in shipments of natural gas (27.3%) and refined petroleum products (27%) due to higher energy prices, as well as a 93% increase in iron ore exports. Export values for Atlantic Canada's other major export products were mainly down in 2005, due to the strong Canadian dollar as well as a decline in production and demand for many products.

Difficult market conditions existed for the region's forestry products; weak market conditions resulted in reduced shipments of newsprint (-0.9%), and lower prices led to a decline in the value of exports of softwood lumber (-12.5%). The value of pulp and paper exports also fell, by 31% and 14% respectively, mainly due to a strike at a coated paper mill and the closure of a pulp mill, both located in New Brunswick. Exports of fishery-related products declined due to lower shipments of crab products and unprocessed lobsters.

Summary of Performance

Alignment of ACOA's Priorities to the Government of Canada's Outcome of Strong Economic Growth

Budget 2006 affirms the Government of Canada's strong commitment to creating an environment for jobs and growth, supporting the growth of small business, and facilitating action in support of a more skilled and educated workforce. ACOA's priorities are complementary and support the Government of Canada's desired outcome of strong economic growth. The following section describes how ACOA works to improve the economy of the region through the development of small and medium-sized businesses and job opportunities. More details are provided in Section II.

Following are summaries of the Agency's performance for fiscal year 2005-2006 in the three strategic outcome areas (Enterprise Development, Community Development, and Policy, Advocacy and Co-ordination). These strategic outcomes do not operate independently, but fit within a framework of interlocking programs, policies and initiatives that are designed to be cohesive, integrated and sustainable.

Status of Performance		*Spending ($ millions)*	
		Planned	*Actual*
***Strategic Outcome*: Enterprise Development**			
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority: (ongoing) To improve the climate for business growth to small and medium-sized enterprises to help them start, expand or modernize their businesses	*Program Activity*: Fostering SME development and regional economic capacity building *Expected Result*: Improved growth and competitiveness of Atlantic SMEs	289.1	259.2
		Performance Status: On track	
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority: (ongoing) Provide business counselling, mentoring and information referrals to Atlantic Canada	*Program Activity*: Access to Business Information *Expected Result*: Access for Atlantic Canadians to accurate, timely and relevant business information, counselling and referrals	2.8	3.1
		Performance Status: On track	

Status of Performance		Spending ($ millions) Planned	Actual
***Strategic Outcome*: Community Development**			
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority: (ongoing) To help communities build their capacity and confidence in order to identify and co-ordinate the implementation of priorities for economic development in their region	*Program Activity*: Community Economic Development *Expected Result*: Enhanced business and economic opportunities for Atlantic Canada communities	110.9 *Performance Status*: On track	111.2
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority: (ongoing) Support initiatives that improve the economic base of communities in the long term	*Program Activity*: Special Adjustment Measures *Expected Result*: Partner with communities to manage and mitigate economic crises	23.9 *Performance Status*: On track	1.9
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority: (ongoing) Provide programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada	*Program Activity*: Infrastructure Programming *Expected Result*: Enhanced infrastructure in urban and rural communities, and public infrastructure	52.2 *Performance Status*: On track	30.9
***Strategic Outcome*: Policy, Advocacy and Co-ordination**			
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority: (ongoing) To carry out policy analysis and research to determine the areas in which ACOA will act to most effectively carry out the Agency's mandate	*Program Activity*: Policy *Expected Result*: Increased internal and external capacity to identify and explore issues critical to development policies and designing and improving programs	11.0 *Performance Status*: On track	5.8
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority (ongoing) To advocate the interests of Atlantic Canada to make new government initiatives more responsive to the needs of Atlantic Canada	*Program Activity*: Advocacy *Expected Result*: Effective defence and promotion of Atlantic Canada's interests	3.9 *Performance Status*: On track	3.1
Alignment to Government of Canada Outcomes: Strong Economic Growth			
Priority (ongoing) Engage economic partners in addressing the Atlantic region's strategic economic priorities	*Program Activity*: Co-ordination *Expected Result*: Co-ordination of activities between ACOA, federal departments and provincial governments in Atlantic Canada	1.8 *Performance Status*: On track	3.5

Enterprise Development

Critical to developing a strong economy is fostering the start-up, growth and competitiveness of Atlantic Canadian small and medium-sized enterprises (SMEs). This is achieved through investment in areas such as research and development, SME skills development and training, expanding trade and promoting foreign direct investment, and assisting SMEs with access to the full range of financing options.

Enterprise Development – Key Areas

1. Increasing the capacity to conduct and commercialize R&D
2. Increasing exports and attracting more foreign investment
3. Stimulating the growth of entrepreneurship and business skills development

To achieve results, ACOA focuses on the following.

Innovation: Innovation continues to be at the forefront of ACOA's economic agenda. The Agency works strategically to support important and emerging sectors, build innovation capacity and address skills gaps, while continuing to be a strong advocate for innovation, co-ordinating efforts between stakeholders and further developing innovation policy. In 2005-2006, ACOA continued to work toward strengthening the region's innovation system. Atlantic Innovation Fund continued having a positive impact in terms of leveraging, with Round III contributions expected to leverage an additional $1.57 for every dollar invested, up from $1.14 for Rounds I and II. Furthermore, over 75 partnerships were formed, allowing for collaboration in areas such as research and development. These partnerships will provide significant economic benefits in the medium to long term.

Entrepreneurship and Business Skills Development (EBSD): Entrepreneurs are considered to be the region's economic engine, and it is critical that they have the management skills and capabilities to adopt strategies for growth and become more resourceful, productive and competitive in today's global economy. As such, the Agency continues to support projects and initiatives designed to enhance entrepreneurs' capabilities to succeed in their business ventures. Such investments target the development of aspiring, new and existing entrepreneurs, particularly growth-oriented SMEs, as well as women, young, and Aboriginal entrepreneurs. For instance, the Agency's Women in Business Initiative invested in projects designed to improve women business owners' access to business planning, counselling and mentoring support. Such investments enabled more than 2,450 women entrepreneurs to access approximately 5,480 counselling sessions. In addition, ACOA focuses on activities designed to encourage young Atlantic Canadians to remain in – or return to – the region and become entrepreneurs.

Trade and Investment: Promoting trade and investment is critical to economic development and is a key part of ACOA's work. Most of the 130% growth in exports over the past decade was achieved by large companies, thereby creating opportunities for the region's SMEs to follow in the same direction – less than 3% of the region's SMEs are currently involved in exporting activities. ACOA works independently and in

partnership with other federal departments and the four provincial governments to deliver its strategic approach to trade and investment development in four areas: awareness, skills development, capacity building, and policy development/co-ordination activities. Through ACOA's proactive measures, there were 190 new exporters in Atlantic Canada in 2005-2006, as well as more than 1,500 SMEs with increased export-readiness. In addition, successful initiatives such as the Team Canada Atlantic missions to key markets in the United States continue to pay dividends for the region. With respect to investment, strategic initiatives are carried out in: research, competitive intelligence, promotion, partnered projects, and lead identification/development.

Community Development

The Government of Canada is committed to working with Canadians, organizations and other levels of government to ensure the long-term sustainability of communities. In Atlantic Canada, a larger portion of the population is based in rural areas than is the case for Canada as a whole. It is an Agency priority to work toward developing the strength of these communities. ACOA is having a positive effect in these rural areas by supporting existing firms, encouraging new start-ups and creating jobs.

The main tool for investing in communities is the Innovative Communities Fund (ICF). Launched in July 2005, the ICF has committed $38.8 million to 62 projects across the region. This program builds on the strengths of communities and provides the tools needed to identify opportunities available for their sustainable economic growth.

ACOA provides funding to partners to deliver business counselling and capital to rural communities throughout Atlantic Canada. During 2005-2006, ACOA continued to work with Regional Economic Development Organizations (REDOs) and Community Business Development Corporations (CBDCs) to assure a high level of strategic planning to guide the economic development within their communities.

In 2005-2006, ACOA contributed a total of $7.8 million toward operational funding to REDOs. With REDO leadership, rural communities were assisted in developing a total of 52 strategic plans. From these plans, 288 community-based projects were supported by ACOA, with a total value of $65 million.

The Community Futures Program has provided an essential source of capital for SMEs and, according to the 2005-2006 CBDC activity reports, assisted in creating a total of 2,404 jobs and providing a total of 2,130 loans to SMEs.

Policy, Advocacy and Co-ordination

The Agency's Policy, Advocacy and Co-ordination (PAC) role is central to identifying and analyzing the critical issues facing the regional economy. Policy work aims to provide a well-grounded base of understanding for the development of ACOA's strategic priorities and initiatives, for program design and as input to major resource allocation decisions. The co-ordination function, as outlined in the Agency's mandate, is responsible for co-ordinating policies and programs of the Government of Canada in relation to opportunities for economic development in Atlantic Canada. The advocacy function is also critical, since it ensures that the region's interests are reflected in national decision-making processes, and seeks out opportunities to advance Atlantic regional development at the national level. For example, in 2005-2006, advocating the Atlantic region in areas such as defence and aerospace resulted in $1 billion of industrial and regional benefit commitments.

The result of PAC efforts was also demonstrated during this 2005-2006 period with the Budget 2006 announcement of $590 million, showing the government's renewed commitment to the previously announced Atlantic Investment Partnership (AIP).

Section II of this document provides other results that materialized during the 2005-2006 period. Such examples show how ACOA is serving to provide policy leadership and advocate Atlantic Canada's interest in economic policy and programming; these efforts lead to new and improved policy positions and strategies in the area of regional development.

Management Priorities

As a federal agency, ACOA operates within the context of federal government policies and guidelines concerning the management of services to the public and the accountability of departments and agencies to Parliament for expenditures and performance. Increasing service delivery options for Atlantic Canadians continues to be a priority for the Agency. This is achieved through service transformation initiatives and an active presence in communities across Atlantic Canada. The management priorities are: Service to Canadians, Modern Business Management and Human Resources Management.

Service to Canadians
The Agency is committed to continued improvement in the delivery of services to Canadians. A key component of the initiative for ACOA was ACOA Direct – a client portal or Internet-based system designed to allow ACOA's clients to conduct business with the Agency electronically. ACOA Direct is part of the Government of Canada's and ACOA's overall plan to deliver its programs, services and information via the Internet through the Government On-Line initiative. ACOA Direct represents a key component in the Agency's vision to improve service delivery to clients, and to Atlantic Canadians in general. The portal is fully integrated into the operations of the Agency, and plans are

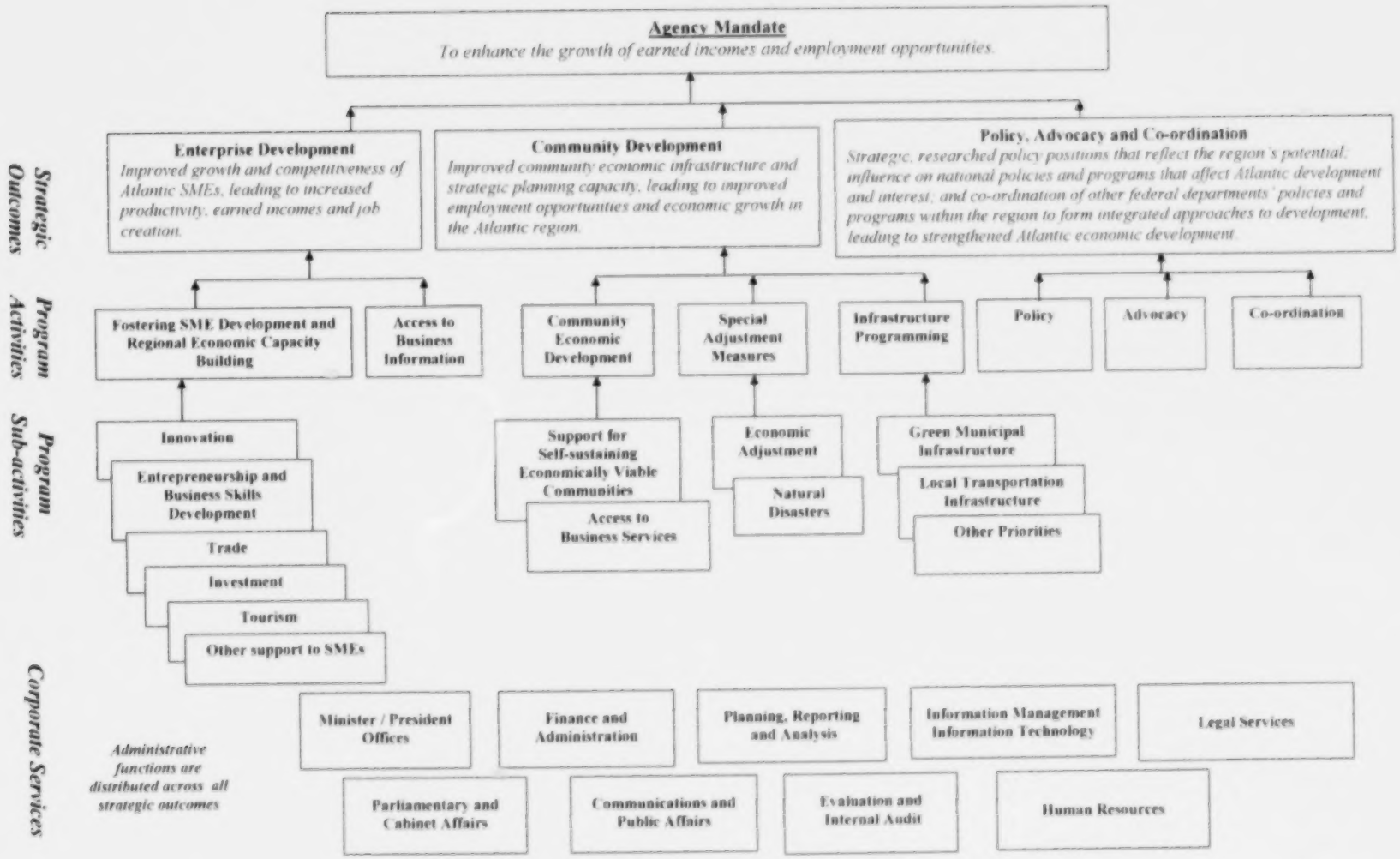
to continue adding functionality as required. The Agency has successfully completed the Government On-Line initiative and a final report on ACOA's implementation of ACOA Direct was submitted to Treasury Board of Canada Secretariat.

Modern Business Management
Work under the Modern Business Management agenda continues to evolve at the Agency. Significant accomplishments have been noted under the four focus areas of the Modern Business Management action plan, including the implementation of the Corporate Planning and Performance Management's (CPPM) agenda, the full integration of *Public Service Modernization Act (PSMA)*, and a reorganization to align accountabilities to the Agency's PAA structure. Champions continue to advance their respective files in this area; a definite shift from modern comptrollership to the Management Accountability Framework is providing for an opportunity to rethink the focus areas as they were originally identified and scoped out. This will be an important challenge for the coming year.

ACOA continues its work to enhance planning across the Agency. In fact, it has accomplished significant milestones during the course of the last planning cycle. The Agency's first executive planning session was held on April 19-20, 2005. Following this event, all regions and branches successfully completed and submitted operational plans and human resource plans based on a standard template and timeline. Furthermore, all these operational plans were aligned to ACOA's Program Activity Architecture (PAA), clearly demonstrating how the operations of the Agency will advance the realization of its strategic outcomes.

Human Resources Management
ACOA has successfully implemented the PSMA components, including the *Public Service Employment Act*, the *Public Labour Relations Act* and the *Financial Administration Act*. The Agency has decentralized human resource operational services at a regional level and implemented a formal human resource planning process that is aligned with Business Planning. A human resource planning exercise was completed for each major component of the Agency for fiscal year 2006-2007. The Agency has hired a full-time labour relations officer and has an informal conflict management system in place. A number of labour management consultation committees have been organized in various parts of the Agency and ACOA has extended an invitation for participation on those committees to all relevant unions.

ACOA's Program Activity Architecture


Agency Mandate
To enhance the growth of earned incomes and employment opportunities.
Strategic Outcomes
Enterprise Development
Improved growth and competitiveness of Atlantic SMEs, leading to increased productivity, earned incomes and job creation.
Community Development
Improved community economic infrastructure and strategic planning capacity, leading to improved employment opportunities and economic growth in the Atlantic region.
Policy, Advocacy and Co-ordination
Strategic, researched policy positions that reflect the region's potential, influence on national policies and programs that affect Atlantic development and interest; and co-ordination of other federal departments' policies and programs within the region to form integrated approaches to development, leading to strengthened Atlantic economic development.
Program Activities
Fostering SME Development and Regional Economic Capacity Building
Access to Business Information
Community Economic Development
Special Adjustment Measures
Infrastructure Programming
Policy
Advocacy
Co-ordination
Program Sub-activities
Innovation
Entrepreneurship and Business Skills Development
Trade
Investment
Tourism
Other support to SMEs
Support for Self-sustaining Economically Viable Communities
Access to Business Services
Economic Adjustment
Natural Disasters
Green Municipal Infrastructure
Local Transportation Infrastructure
Other Priorities
Corporate Services
Administrative functions are distributed across all strategic outcomes
Minister / President Offices
Finance and Administration
Planning, Reporting and Analysis
Information Management Information Technology
Legal Services
Parliamentary and Cabinet Affairs
Communications and Public Affairs
Evaluation and Internal Audit
Human Resources

Section II – Analysis of Performance by Strategic Outcome

Organization of Section II:

Strategic Outcome – Enterprise Development
- Program Activity: Fostering SME Development and Regional Economic Capacity Building
  - Program Sub-activity: Innovation
  - Program Sub-activity: Entrepreneurship and Business Skills Development
  - Program Sub-activity: Trade
  - Program Sub-activity: Investment
  - Program Sub-activity: Tourism
  - Program Sub-activity: Other Support to SMEs
- Program Activity: Access to Business Information

Strategic Outcome – Community Development
- Program Activity: Community Economic Development
- Program Activity: Special Adjustment Measures
- Program Activity: Infrastructure Programming

Strategic Outcome – Policy, Advocacy and Co-ordination
- Program Activity: Policy
- Program Activity: Advocacy
- Program Activity: Co-ordination

Strategic Outcome – Enterprise Development

Improved growth and competitiveness of Atlantic SMEs, leading to increased productivity, earned incomes and job creation.

Expected Results: Increased earned income and employment opportunities in Atlantic Canada	
Indicators:	***Five-year Targets:***
a) Increase in GDP (earned income)	a) Around $1 billion more annually than without ACOA support to business
b) Increase in GDP per $1 of ACOA expenditure	b) $4 to $5 in GDP gains for every $1 of ACOA expenditure
Performance Measurement Strategy: Measuring the impact on income and employment in Atlantic Canada is a long-term, multi-dimensional undertaking. Thus, the Agency will report results every five years, based on analysis of data from Statistics Canada and internal systems, using econometric modelling.	
Past Performance: In its last Five-Year Report to Parliament (1998-2003) ACOA reported that "GDP was almost $1 billion higher annually by 2002 than it would have been in the absence of ACOA's expenditures in direct support of business. Over the five-year period, direct Agency support to business has produced total accumulated annual increases of well over $5 in GDP gains for every dollar of ACOA expenditure."	

ACOA's legislation mandates the Agency to give particular emphasis to the development of small and medium-sized enterprises (SMEs). Small entrepreneurial firms have taken their place as vital contributors to economic health. Their strengths are their flexibility, their resourcefulness, their efficient use of limited resources, and their sensitivity to the market.

In pursuing increased earned income and employment opportunities, the Agency seeks to ensure that the relevant business development tools and resources are available to serve the needs of the region's existing and emerging entrepreneurs. ACOA approaches this work in a strategic manner, providing Canadians with the tools to improve growth and competitiveness of Atlantic small and medium-sized businesses, ultimately leading to increased productivity, earned incomes and employment opportunities.

Enterprise Development program activities:

- Fostering SME development and regional economic capacity building
- Access to business information

The Agency offers a wide variety of programs and services to improve the environment for business development and to help firms to start up, expand and modernize. This is done by focusing on two activities: fostering the growth and competitiveness of SMEs, and providing access to business information.

Details on the progress in these areas can be found in the following pages of this report.

Program Activity: Fostering SME Development and Regional Economic Capacity Building

Provide assistance to improve the climate for business growth to small and medium-sized enterprises to help them start, expand or modernize their businesses.

Expected Results: Improved growth and competitiveness of Atlantic SMEs		
Indicators:	***Targets:***	***Results:***
a) Survival rates of ACOA-assisted firms	a) 1 to 2 times higher than non-assisted firms	a) On track
b) % increase in payrolls for ACOA-assisted firms	b) 1.5 to 2 times higher than non-assisted firms	b) On track
c) Productivity growth rate for ACOA clients	c) 1.5 to 2 times higher than non-assisted firms	c) Data unavailable for fiscal year 2005-2006
Performance Measurement Strategy: Analysis of Statistics Canada data and internal systems data		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
289.1	274.8	259.2

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
435	435	0

Through the Agency's focus on small and medium-sized enterprises, ACOA supports a greater economic activity in the region and encourages business growth, expansion in new markets and greater competitiveness in the national and international marketplace. Stronger businesses will result in new investments in the Atlantic region and contribute to employment and increased earned income.

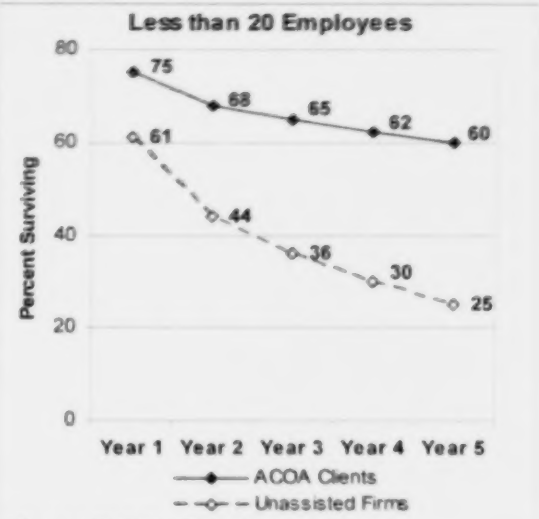
Fostering SME development and regional economic capacity building:

1. Innovation
2. Entrepreneurship and Business Skills Development
3. Trade and Investment
4. Tourism
5. Other Support to SMEs

To measure progress achieved, the Agency examines the survival rate of ACOA-assisted businesses and the impact on their payroll growth and productivity growth. Data comparing ACOA client performance with the rest of the region is based on Statistics Canada tabulations. The sample of ACOA clients tracked is nearly 4,000, of which approximately 70% are small firms.

Taking into account the yearly fluctuations of entries and exits of businesses, the survival rate of ACOA-assisted businesses is higher than that of unassisted firms. This holds true for all business sizes (2.1 times higher) and is much more evident for businesses with fewer than 20 employees.

The survival rates for small firms show that, after year one of operation, approximately 75% of ACOA clients survive compared to 61% for unassisted firms. By the end of year five, 60% survive compared to 25% for unassisted firms. It is also worth noting that, at the end of five years, for businesses with fewer than 20 employees, the survival rate of ACOA-assisted businesses is approximately 19% higher than that of all business sizes across Canada (60% compared to 41%).



Source: Statistics Canada

Payroll generated by ACOA-assisted firms is a good indication of the Agency's impact on the growth of earned income in the region. Since ACOA began reporting this measure in its annual performance report in 1997, ACOA-assisted firms have consistently outperformed other firms. On average, payroll growth has been nearly double (or more) that of unassisted firms.[4]

[4] Source: Statistics Canada, Employment Dynamics

Program Sub-activity: Innovation

Increase activity in and build capacity for innovation, research and development (R&D) of technologies, products, processes or services, technology adoption/adaptation and commercialization of R&D outputs that contribute to economic growth in Atlantic Canada.

Expected Results: Strengthen Atlantic Canada's innovation and commercialization capacity

Indicators:	*Targets:*	*Results:*
a) % of leveraging of funds toward innovation projects	a) 55%, for approximately $25 million*	a) 62%, for approximately $155 million
b) Number of meaningful partnerships[5] and collaborations for technology development and commercialization	b) 10*	b) Over 85

* When these targets were established for 2005-2006, they excluded the activities of the Atlantic Innovation Fund, as that program had yet to be renewed.

Program	Project Cost ($ millions)	ACOA Funding ($ millions)	Leveraging ($ millions)	Percentage
Atlantic Innovation Fund	177	69	108	61%
Business Development Program	77	28	49	64%
Total	254	97	157	62%

Performance Measurement Strategy: Analysis of data from internal systems, survey, monitoring

Labour productivity in Atlantic Canada lags behind the national level, largely due to lower levels of research and development spending, technology adoption, exporting, educational attainment and worker training. Raising the levels of R&D and innovation remains fundamental to increasing Atlantic Canada's competitiveness. This is why ACOA's support for innovation centres on: the research and development of new or improved technologies and their commercialization, the growth of strategic sectors/clusters, and the adoption/adaptation of leading-edge technologies.

To advance this innovation strategy, ACOA continues to work in five key areas as listed in the box at right. The principal programming tools are the Atlantic Innovation Fund (AIF), the Business Development Program (BDP) and the Innovation Skills Development Initiative (ISDI) / Productivity and Business Skills Initiative (PBSI).

Innovation key themes:

1. Innovation Systems Strengthening
2. Strategic Sector Support
3. Building Innovation Capacity
4. Addressing Skills Gaps
5. Policy Development and Co-ordination Activities

[5] A meaningful partnership, as defined in ACOA's guidelines, is one involving a participant who is actively involved in the project; has a direct and material influence on the project's direction; and without whose involvement the project could be in jeopardy.

Together, these programs support ACOA's objective of increasing innovation capacity, ultimately leading to productivity improvement. They contribute to leveraging funds toward innovation projects, encourage the development of partnerships for technology development and commercialization, and increase the number of commercialized technologies, products, processes and services.

Innovation Systems Strengthening

2005-2006 renewal of the AIF:
- 75 new partnerships
- Increased commercial funding
- Increased number of private sector project partners
- $56 million in strategic sector support
- $69 million in 29 R&D projects

Given that the level of privately funded R&D in Atlantic Canada is well below the national average, the AIF has focused on increasing the level of participation by commercial entities in innovation activity. Under AIF Round III, the percentage of approved projects from commercial proponents increased to 52% of the total, up from 46% under AIF Round II. In addition, the percentage of private sector companies acting as project partners rose to 58% under AIF Round III, up from 49% under AIF Round II.

In order to help maximize the economic benefits and enhance the likelihood of commercialization success, ACOA encourages AIF project proponents to seek opportunities for collaboration in such areas as research and development, project management, marketing or commercialization expertise. In 2005-2006, there were over 75 meaningful partnerships on AIF-funded projects.

The Agency also strengthens the region's innovation system by ensuring that key components are better linked to promote improved interaction among the innovation players. To further this objective, ACOA continues to support the Association of Atlantic Universities' Springboard Atlantic initiative. The purpose of Springboard Atlantic is to encourage the effective and efficient transfer of technology by Atlantic universities, and to build the critical mass necessary to advance the commercialization of research from within the universities to the region's private sector. In 2005-2006, Springboard awarded 10 proofs of concept for $199,000 and 12 patents for $115,000 to 26 researchers from universities across Atlantic Canada. Several educational and networking events were also held throughout the year.

Strategic Sector Support

The AIF facilitates the development of strategic sectors characterized by regional clusters of firms. Under AIF Round III, 23 of the 29 approved projects (accounting for $56 million in AIF funding) will augment development of clusters and complement the National Research Council's Atlantic cluster initiative.

Building Innovation Capacity

The AIF focuses on accelerating the development of knowledge-based industries by increasing the region's capacity to carry out leading-edge research and development, contributing to the development of new technology-based economic activity in Atlantic Canada. Clients of the AIF include businesses and institutions such as universities and research institutes. One of the key accomplishments for 2005-2006 was the renewal of the AIF and the successful approval of 29 R&D projects for over $69 million in ACOA assistance under AIF Round III. As a result of Round III, the Agency is expected to leverage an additional $108 million from other sources such as universities and other research institutions, provincial governments, the private sector, and national programs.

Via its innovation element, the Business Development Program (BDP) builds innovation capacity in the region by providing funding for R&D projects and for the adoption or adaptation of leading-edge technologies. In 2005-2006, the BDP funded 50 R&D projects for over $12 million in assistance, and 23 technology adoption or adaptation projects for over $4 million in assistance. ACOA also leveraged an additional $49 million from clients and other sources and encouraged seven meaningful partnerships under BDP innovation projects.

Addressing Skills Gaps

The ISDI focused on improving the innovation management and technical competencies of SMEs in Atlantic Canada. In 2005-2006, ACOA funded over 125 ISDI projects for more than $8.5 million in assistance toward:

- enhancing SMEs' innovation and technology management capabilities;
- increasing the region's pool of experienced technology managers and technical expertise; and
- retaining more qualified science and technology graduates and linking them with SMEs in the region.

A recent formative evaluation of the ISDI[6] concluded that the program was useful in boosting innovation management and technical skill levels within SMEs. Recommendations for improving the effectiveness of the ISDI have been taken into account in the development of the new Productivity and Business Skills Initiative (PBSI), which will replace the ISDI in 2006-2007. The PBSI broadens the scope of the ISDI to include business skills as well as technical skills. In order to be more responsive to SME needs, the PBSI will aim to improve businesses' competitiveness through a number of activities such as training, hiring skilled personnel, and improving productivity or quality.

Working to increase innovation awareness. In 2005-2006, 55 sessions were held, reaching over 1,800 participants. These included:

- "Research, Development and Commercialization in the NB Forestry Sector" – over 90 participants
- "From Lab to Market" – 165 participants

[6] *Formative Evaluation of the Innovation Skills Development Initiative*, Hickling, Arthurs Low, 2005.

To complement its direct assistance programs, ACOA continues its efforts to increase awareness of the benefits of undertaking innovation activities. Agency-wide in 2005-2006, ACOA delivered over 55 innovation awareness sessions, reaching over 1,800 participants.[7] These included technical outreach sessions with both private sector and university stakeholders to discuss AIF Round III, as well as commercialization sessions targeting specific sectors. For instance, ACOA held a commercialization forum titled "From Lab to Market" to discuss commercialization best practices with a mix of private, government and university stakeholders. The event attracted approximately 165 participants, more than 40% of whom were from the private sector. In addition, the Agency held a session titled "Research, Development and Commercialization in the New Brunswick Forestry Sector", which attracted over 90 participants; it was organized in partnership with industry associations, universities and others.

Policy Development and Co-ordination Activities
The Agency continued to support innovation research and advocacy activities in 2005-2006. Activities under ACOA's Innovation Directorate focused on facilitating networking opportunities and co-ordinating innovation development among Atlantic Canada's and Canada's innovation stakeholders and policymakers. Other examples of policy support to innovation and commercialization activities can be found in Section II of this document, under the sub-section titled Policy.

For more information on Innovation, see ACOA's website at
http://www.acoa-apeca.gc.ca/innovationE/index.shtml

[7] *2005-2006 Roll-up of Innovation Awareness Activities in Atlantic Canada*, Atlantic Innovation Fund Secretariat, ACOA, Spring 2006.

Program Sub-activity: Entrepreneurship and Business Skills Development

Foster opportunities for Atlantic Canadians to develop the motivation and business skills required to start, sustain or grow their own businesses.

Expected Results: More Atlantic Canadians with the motivation and skills required to successfully start, sustain or grow a business		
Indicators:	***Targets:***	***Results:***
a) % of participants in entrepreneurship awareness and promotion activities indicating the activity increased their intent to start a business.	a) 60% to 75%*	a) Preliminary findings: 58%
b) % of participants in business skills development activities indicating the skills acquired were relevant to enhancing business start-up, survival and/or growth.	b) 60% to 75%	b) Preliminary findings: 82%
Performance Measurement Strategy: Reporting every three years, drawing on analysis of data from surveys[8] and Agency's internal database		

* This indicator was implemented in 2005-2006. Although the indicator has been in use for only a short time, a preliminary target was set. Additional data will be gathered throughout 2006-2007, which will provide for the establishment of an appropriate baseline.

ACOA invests in entrepreneurship and business skills development (EBSD) initiatives to ensure that more Atlantic Canadians develop the motivation and business skills required to successfully start, sustain or grow their own businesses. Fostering this culture of entrepreneurship is fundamental to the region's future, since it is entrepreneurs who generate wealth and jobs.

Recognizing that strong business skills are critical to business survival and growth, investing in business skills development to support start-up, sustainability and growth is a priority. The Agency remains focused on enhancing management skills at all stages of business development.

For example, in 2005-2006, because of financial support provided by ACOA, the Acadia Centre for Small Business and Entrepreneurship in Nova Scotia provided counselling sessions for businesses which, in turn, contributed to nearly 50 business start-ups and the maintenance and growth

EBSD activities include:

- Promoting the importance of business skills development
- Facilitating opportunities for entrepreneurs to acquire more advanced management practices
- Enhancing entrepreneurial skills at all stages of business development
- Emphasizing entrepreneurship education, particularly among young Atlantic Canadians
- Fostering the development and growth of women and Aboriginal entrepreneurs

[8] Exit surveys are completed by most participants in various entrepreneurship and business skills events/activities. These surveys are conducted by organizers of the event/activity, typically ACOA clients.

of an additional 25 businesses.[9] ProfitLearn, a training initiative for small businesses operating in New Brunswick and Prince Edward Island, also saw excellent results, with nearly 3,000 business owners participating in training sessions that focus on the business skills needed to help them keep their businesses going and growing.[10]

Fostering the development and growth of women and Aboriginal entrepreneurs.

The Agency's entrepreneurship and business skills efforts are also directed at Aboriginal people. For example, over 100 young Aboriginals participated in a national business plan competition, gaining practical experience in developing a product or service and a detailed business plan.[11] Summer entrepreneurship camps were held in First Nation communities across Nova Scotia, with over 100 participants in total.[12] In Labrador, 40 young people participated in an Aboriginal wild-crafting project, which addressed business planning and marketing. Products from this project will be marketed in England as a result of a partnership with Advancing Canadian Entrepreneurship.[13]

The First Atlantic Aboriginal Entrepreneurship Awards helped to increase the visibility of successful Aboriginal business people, with the nominees and winners serving as role models for others. Additional role models for aspiring and existing entrepreneurs are profiled through the annual Ernst & Young Entrepreneur of the Year® awards. The recognition of these successful entrepreneurs helps to build an entrepreneurship culture in the region.

The Agency maintains a focus on fostering the growth of women-owned businesses. For example, funding provided to various business development organizations under the Women in Business Initiative (WBI) enabled more than 460 women entrepreneurs to participate in business skills training. In addition, 211 women business owners were able to access professional services to address business opportunities, issues and/or problems.[14]

ACOA also supported multiple women-in-business conferences throughout Atlantic Canada, which provided women entrepreneurs with access to business management workshops, tremendous networking and other professional development opportunities. This helped to improve their knowledge and skills in areas relevant to the survival and growth of their businesses, such as export planning, financial management and human resources management.

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[9] *ACOA Core Funding Final Report for the Contract Period September 2004 - March 2006*, Acadia Centre For Small Business and Entrepreneurship, April 21, 2006.
[10] *ProfitLearn: Your Business Learning Resource – Annual Report of Activities, April 1, 2005 to March 31, 2006*, LearnSphere Canada, 2006; and *ProfitLearn PEI: Your Business Learning Resource 2005-2006 Update*, ProfitLearn PEI, 2006.
[11] *E-Spirit 05 Final Report*, Business Development Bank of Canada, 2005.
[12] *Entrepreneurship Summer Camp Report*, Eskasoni Band Council, 2005.
[13] *Report on Aboriginal Wild-crafting*, Futures in Newfoundland and Labrador's Youth, 2006.
[14] *2005-2006 Business Counselling and Community Outreach Roll-up*, Third party WBI funding recipients, 2006.

Ongoing WBI funding was provided in 2005-2006 to various business support organizations throughout Atlantic Canada, to enhance the geographic reach of existing business planning, counselling and mentoring support to women business owners. This enabled more than 2,450 women entrepreneurs to access approximately 5,480 counselling sessions. In addition, 449 information sessions targeting women in business were held through the year, with 5,573 participants in total attending these events.[15]

Emphasizing entrepreneurship education, particularly among young Atlantic Canadians.

During 2005-2006, the Agency supported aspiring entrepreneurs, with particular focus on young people, by providing opportunities to explore what it is like to be in business. The Agency also continued to facilitate community-level participation to plan and deliver entrepreneurship activities for the region's youth. Investments in this area were primarily made through the Young Entrepreneur Development Initiative.

As a result of investments being made in entrepreneurship development projects (undertaken by local not-for-profit organizations, businesses, regional economic development organizations, educators, university business development centres, and others), aspiring entrepreneurs were provided with key information and engaged in hands-on activities that allowed them to get a taste of what entrepreneurship is all about.

Some successful activities were:

- Junior Achievement
    - Students were exposed to the practical aspects of entrepreneurship through efforts undertaken jointly with Junior Achievement chapters across the Atlantic region.
- Enterprise Olympics in Newfoundland and Labrador
    - Over 4,000 students participated in this high school business planning event that resulted in 1,200 student business start-ups.[16]
- Young Millionaire Program in Prince Edward Island
    - Nearly 180 young people aged 8 through 12 learned the basics of entrepreneurship and tried their hand at starting and running a business throughout the summer months.[17]
- Business skills development training, one-on-one business counselling, and access to capital for Nova Scotia students
    - 1,600 aspiring entrepreneurs participated, and 65 loans were extended to start student businesses.[18]

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[15] *2005-2006 Roll-up of WBI CAS Activity*, Third-party WBI funding recipients and ACOA, 2006.
[16] *Enterprise Olympics Project Report*, St. John's YMCA-YWCA Enterprise Centre, 2005.
[17] *The Young Millionaires Program Recap Report*, Central Development Corporation, 2006.
[18] *Students in Business Final Report, April 1st 2005 – March 31st 2006*, CBDC Association of Nova Scotia, Spring 2006.

- Mentor/mentee matches (New Brunswick)
    - 40 young entrepreneurs were provided with the opportunity to gain from the insights and wisdom of experienced business people.[19]
- Youth retention and repatriation efforts.
    - Business skills workshops and activities offered at universities, as well as other youth retention and repatriation activities held in communities throughout New Brunswick and Prince Edward Island, enabled young, educated Atlantic Canadians to remain in or return to the region.

For more information on Entrepreneurship see ACOA's website at http://www.acoa-apeca.gc.ca/e/business/entrepreneurship.shtml

[19] *YEDI Annual Reports*, 13 New Brunswick YEDI project administrators, Spring 2006.

Program Sub-activity: Trade

Provide assistance to help businesses enter international markets, strengthen international marketing capabilities and improve international business performance.

Expected Results: Increased export capacity and sales for SMEs in Atlantic Canada		
Indicators:	***Targets:***	***Results:***[20]
a) Number of SMEs that have increased export-readiness	a) 300	a) 1,586[21]
b) Number of new exporters	b) 40	b) 205
c) Number of exporters developing new or existing markets	c) 50	c) 169
Performance Measurement Strategy: Reporting annually; data sources include Statistics Canada, surveys and internal reports		

Exporting is one of the nation's leading engines of economic growth generating revenue and employment opportunities. Close proximity to the rich markets of the United States and Europe, as well as increased levels of exportable, value-added and knowledge-based goods and services, render Atlantic Canada particularly well suited as a base for exporting.

While exports have grown by more than 130% during the last decade, there is room for expansion. With fewer than 3% of the region's SMEs currently involved in export activities,[22] ACOA has focused on proactive measures aimed at building the export capacity within Atlantic Canada. ACOA works to strengthen the export performance of the Atlantic region, enhancing the capabilities of small and medium-sized businesses to establish and expand business activities. Key initiatives are the development of new markets and new exports, and include the promotion of after-care and market follow-up for existing SMEs.

The Agency works both directly with SMEs and in partnership with other federal departments and the four provincial governments to deliver its strategic approach to trade development. This approach is focused on four

The four elements of trade:
- Awareness
- Skills development
- Capacity building
- Policy development and co-ordination activities

[20] *Report on Trade Activities, ACOA commercial and non-commercial clients, ATIP BDP IBDA, 2005-2006.* This report includes results from the following surveys:
- *Business Development Program First-time Exporters Survey*, 2006. (Survey description: telephone survey to count the number of ACOA clients helped to begin or continue exporting; includes all BDP clients tagged as first-time exporters; response rate of 93%.)
- *Survey of IBDA Projects*, February 2006. (Survey description: telephone and mail survey to count the number of ACOA IBDA-funded clients that have begun exporting as a result of the assistance; survey also identified current exporters that have increased sales to existing markets and/or expanded sales to new markets; response rate of 64%.)

[21] During 2005-2006, ACOA provided funding for the implementation of the Société Nationale de l'Acadie (SNA) cultural strategy (Stratégie de promotion des artistes acadiens sur la scène internationale – SPAASI), creating several large initiatives within the Francophone cultural industry, which supported new exporters and export-readiness numbers, thus accounting for the substantial increase in achieved results.

[22] Industry Canada – Exports, *Trade Data On-Line*, Strategis, 2006.

strategic elements: awareness; skills development; capacity building; and policy development and co-ordination activities.

The awareness initiative promotes SME interest in exporting, and enhances the knowledge of current and potential exporters regarding major trade issues and opportunities. In 2005-2006, the Nova Scotia Export Advertising Campaign, in partnership with the Nova Scotia Community College, Nova Scotia Business Inc., and the provincial government's Office of Economic Development, helped raise awareness of Nova Scotia companies looking to increase their export capacity.

Skills development activities are focused on potential, export-ready, and existing exporters; they provide training and mentoring tailored to the specific requirements of the businesses while building a cadre of capable trade consultants in the region. Key initiatives included:

- Women Exporters' Initiative
    - Combined training, mentoring and business diagnostics prepared a delegation of 15 women business owners for a trade mission to the Boston market. The result – further developed export skills and over half the delegates made first-time sales.[23]

- Export Partnering Program in New Brunswick
    - College and university trade students were matched with ten SMEs to provide trade development assistance to these firms. The results – a trade mission to New England, plus firms gained comprehensive export insights and market contacts.

Team Canada Atlantic missions costing $5.1 million have generated $37 million in sales to date for Atlantic SMEs in various U.S. markets.

The capacity building element assists companies in financing trade initiatives, international market expansion and product development. This element includes the organization of ACOA-led and partnered trade missions to select U.S. and European markets. During 2005-2006, the Agency placed an increased emphasis on new and developing markets, with trade missions focusing on Agency priority sectors such aquaculture, aerospace and defence, energy and life sciences. Markets such as Norway, France, the United Kingdom, and northeastern and southeastern U.S. were targeted. Two missions to the Chicago market helped more than 60 SMEs increase their export-readiness and generated $10 million in sales.[24]

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[23] *Women Exporters' Initiative Final Report*, Canadian Manufacturers and Exporters – Newfoundland and Labrador, 2006.

[24] Team Canada Atlantic, April 2005 Chicago trade mission exit survey, Corporate Research Associates Inc. (Survey description: telephone survey conducted by the Agency to count the number of clients helped to begin exporting, continue exporting, increase export-readiness and develop new markets; includes only clients who participated in Team Canada Atlantic missions to Chicago; response rate of 71%).

The trade strategy also includes a research agenda focusing on SME export development needs and sectoral export capability. Progress in 2005-2006 included the completion of a study, *Study of Stakeholders' Perceptions of the Exporting Situation in Atlantic Canada*, resulting in recommendations regarding areas where the Agency could provide further assistance. Sector export strategies in the cultural industries, agri-food, boatbuilding, aerospace and defence, oil and gas, and wind energy were also developed and implemented in 2005-2006.

Good results were evident for the ACOA-assisted ocean industry export strategy prepared for the Ocean Industries Association. The completion of this strategy allowed the industry to strategically plan its export development for the next few years.

In 2005-2006, the Agency also provided funding for the implementation of the *Société Nationale de l'Acadie's* (SNA) cultural strategy (*Stratégie de promotion des artistes acadiens sur la scène internationale* – SPAASI), which created several large initiatives within the Francophone cultural industry and led to new exporters and several SMEs increasing their export-readiness.

> *The development and implementation of the cultural strategy led to over 450 Atlantic SMEs increasing their export-readiness, and created over 30 new exporters.*
> - Stratégie de promotion des artistes acadiens sur la scène internationale, Rapport final, Société Nationale de l'Acadie (SNA), 2006.

ACOA continues to be a strong advocate for trade initiatives that benefit Atlantic Canada, co-ordinating efforts between stakeholders and further developing policies that influence national and regional policy. Through the Enhanced Representation Initiative, a federal government initiative aimed at increasing Canada's presence in the U.S., the Agency undertook several advocacy activities in key U.S. markets including Boston, Chicago and Miami.

Federal-provincial initiatives play key roles in the Agency's development of the export capacity of the Atlantic region. In addition to Team Canada Atlantic missions, the International Business Development Program also posted strong results. This program, aimed at strengthening exporting in Atlantic Canada, helped nine SMEs become first-time exporters and increased sales to current markets for 23 SMEs. For more information on this horizontal initiative and other initiatives please refer to http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp.

The Atlantic Trade and Investment Partnership enabled the Agency to undertake comprehensive pan-Atlantic and provincially based trade development initiatives on various scales. These initiatives built upon existing partnerships established with ACOA's trade partners, and helped thousands of firms increase their export-readiness. ACOA will continue to enhance these successes with future strategies and continue to build on these results.

Atlantic Trade and Investment Partnership results:

- 3,000 firms increased their export-readiness since 2002

For more information on Trade see ACOA's website at http://www.acoa-apeca.gc.ca/e/business/trade/index.shtml

Program Sub-activity: Investment

Provide assistance to attract foreign direct investment.

Expected Results: Increased foreign direct investment in Atlantic Canada		
Indicators:	***Targets:***	***Results:***
a) Increased awareness of Atlantic Canada as a profitable place to do business (by potential stakeholders and investors)	a) 55 to 60 enquiries for further information with regard to investing in Atlantic Canada	a) 55 enquiries
b) Number of qualified investment suspects,[25] leads[26] and prospects[27] provided to key players and developed through ACOA	b) 20 to 25	b) 87 qualified investment leads, developed through ACOA, were provided to key players
Performance Measurement Strategy: Annual reporting, with data from internal reports		

Foreign direct investment (FDI) creates jobs and generates revenues; it strengthens economic infrastructure and builds industrial critical mass required to successfully compete in a global economy. FDI plays a major role in the Canadian economy - one in every ten jobs can be attributed to inward FDI. With Atlantic Canada's share of inward FDI being less than 5% of the national total, compared to 6% of the gross domestic product (GDP), and 7.4% of population[28], the potential for growth is significant.

Investment attraction requires a focused strategy and a dedicated program, and ACOA, as the federal representative working toward a better economic future for the region, embraces FDI as a strategic focus and an Agency priority.

Five key elements of investment:
1. Investment research
2. Investment intelligence dissemination
3. Awareness and promotion
4. Investment partnerships
5. Lead development

Investment research continues to remain a key element within the Agency's investment strategy. ACOA has focused its research on the identification and analysis of key factors influencing investment location decisions by foreign corporations and major trends in the international community. The findings of this research have permitted the Agency to highlight key benefits of investing in Atlantic Canada to potential investors.

Through the investment intelligence dissemination element, the Agency identified over 150 investment opportunities and provided timely investment intelligence to partners.

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[25] Suspect - for marketing purposes, a member of a target group that may only be known by demographic information.
[26] Lead - a qualified response with very limited interaction with an Atlantic Canadian company.
[27] Prospect - a party interested in a particular solution that has been identified.
[28] *Foreign Direct Investment in Atlantic Canada*, Atlantic Provinces Economic Council, May 2002.

including provinces and municipalities, in order to increase foreign direct investor opportunities in Atlantic Canada.

The element of awareness and promotion continued to play an integral part within the Agency's investment strategy. ACOA carried out a strategic program to increase awareness of Atlantic Canada as a profitable location to do business among select U.S. and European investment communities.

Sector-specific awareness and promotional activities were undertaken through work with groups such as the Atlantic Energy Round Table. Collaboration with federal, provincial and private industry stakeholders led to the development of an FDI attraction sector profile for oil and gas in Atlantic Canada. This publication was the first of its kind to highlight the benefits of both on-shore and off-shore technology and investment opportunities within the Atlantic industry.

In Prince Edward Island, ACOA continued strong regional awareness and promotional activities. Investment missions to key markets in Europe and the U.S. focused on Agency priority sectors, such as bioscience and information communications technology (multimedia and business process outsourcing/nearshoring). As a result, over 130 investment meetings were held, leading to three investments within these sectors, including one investment in the multi-media sector by the renowned California-based game development company, Backbone Entertainment (a division of Foundation 9 Entertainment), which is now housed in the Atlantic Technology Centre.

Through investment partnerships, the Agency continued to lead and maintain closer partnerships through the pan-Atlantic Investment Co-ordination Committee. The committee was created in order to reduce duplication in investment research, awareness and promotion, and intelligence dissemination. This partnership is also directed at the pooling of human and financial resources to create greater critical mass with regard to investment and marketing development activities in select U.S and European investment communities.

Investment Partnerships:
- Atlantic Canada Opportunities Agency
- Foreign Affairs and International Trade Canada
- Four Atlantic provincial governments
- Industry Canada

In 2005-2006, the investment partnerships resulted in the development of the Nearshore Atlantic Alliance. Led by ACOA, the provinces, and CGI Group Inc., the alliance created a forum/model to facilitate investment in the nearshoring sector in Atlantic Canada. According to CGI Group Inc., to date the initiative has created approximately 134 jobs in Prince Edward Island.[29]

The Agency assumed a key role in lead development over 2005-2006, moving the investment strategy forward.

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[29] "PEI Hires by Province", *Corporate Information Update on CGI Operations in Prince Edward Island, Number of Resources by Province of Origin*, Vice-President Consulting Services, CGI Atlantic, Halifax, Nova Scotia, September 2006.

- Eighty-seven leads were identified through the Agency's investment intelligence system and passed on to prospective regional stakeholders.
- Lead generation activities included advertising, direct marketing, trade fairs and networking initiatives.
- Key initiatives included pan-Atlantic representation at shared services events targeting high-end nearshoring investment opportunities in Atlantic Canada.
- Various investment luncheons held in Chicago, Atlanta and Orlando.

With assistance from ACOA, the Exploits Centre for Information Technology Excellence continued to follow up on information communications technology leads from other ACOA-led international initiatives in 2005-2006.

Since 2002, ACOA's investment strategy enabled comprehensive pan-Atlantic and provincially based investment development initiatives such as:

- science, technology, trade and investment missions to key markets
- lead identification and development
- advertising and direct marketing campaigns
- investment conference co-ordination and participation
- journalist and site selector familiarization tours

For more information on Investment see ACOA's website at http://www.acoa-apeca.gc.ca/invest/index.shtml

Program Sub-activity: Tourism

Provide assistance to projects designed to contribute to increased growth, profitability and wages in the tourism sector through planning, advocacy and market research; product development, marketing and readiness; strategic investment in infrastructure, amenities and facilities; enhance quality of tourism product; and extend the tourism season or multi-seasonal expansion.

Expected Results: Increased growth and competitiveness of tourism industry		
Indicators:	***Targets:***	***Results:***
a) Productivity growth for ACOA-assisted versus non-assisted firms	a) 1.5 to 2 times higher	a) Data unavailable for fiscal year 2005-2006
b) Payroll growth for ACOA-assisted versus non-assisted firms	b) 1.5 to 2 times higher	b) Payroll growth for ACOA-assisted tourism firms is double that of unassisted tourism firms (over a 10-year period)
Performance Measurement Strategy: Annual reporting, with data sources being Statistics Canada		

ACOA is a catalyst for tourism innovation in Atlantic Canada. Through its partnerships with tourism industry associations, private sector groups and other governments, ACOA continues to foster a co-operative, regional approach to tourism development and marketing in Atlantic Canada. The Agency's leadership focuses attention on strategic investments and activities that increase profitability, investment and wages in the tourism sector.

Promoting Atlantic Canada as a Tourism Destination

In 2005-2006, the Agency continued to promote Atlantic Canada as a tourism destination. Progress is evident by the results of the Atlantic Canada Tourism Partnership (ACTP) and the Tourism Atlantic Canada Marketing Initiative (TAMI).

Atlantic Canada Tourism Partnership		
Return on investment	**Target**	**Result**
Overall partnership	10:1	$16.83
U.S. program	10:1	$18.82
Overseas program	5:1	$6.20

The ACTP is mandated to build strong industry-government relationships in order to market Atlantic Canada as a tourism destination in international markets. The ACTP performed exceptionally well in 2005, a year that witnessed escalating gasoline prices, increased global competition, a weaker U.S. economy, a stronger Canadian dollar, and concerns over border delays and passport requirements. Every dollar invested in 2005 resulted in approximately $17 in tourism spending in Atlantic Canada, exceeding the 10:1 objective.[30] This success was driven by the U.S. consumer advertising campaign, which

[30] *Final Evaluation of the 2003-2006 Atlantic Canada Tourism Partnership*, Tourism Synergy Ltd., March 2005.

generated $79.6 million in advertising-generated revenue and achieved a $25.72 return on investment.[31]

TAMI was initially a tourism recovery program directed at Atlantic Canada's primary domestic tourism markets, Quebec and Ontario. These markets continued to suffer the lingering effects of 9-11, SARS, and a stronger Canadian dollar. By leveraging incremental marketing investments at the provincial level, TAMI has become a strategic means of attracting increased visitation and revenues. In 2005, TAMI generated $120 million in advertising-generated revenue ($30 million above target), and achieved a $20.05 return on investment.[32]

Sustainability Programming

Programming directed at increasing investment in, and development of, strategic and sustainable tourism products, services and experiences is exemplified by ACOA initiatives such as Bouctouche Sustainable Tourism Communities, Gros Morne Institute of Sustainable Tourism, and Competitiveness Through Best Practices.

The Bouctouche Sustainable Tourism Communities and the Gros Morne Institute of Sustainable Tourism initiatives educate small entrepreneurial and community groups from across the Atlantic region about establishing practical frameworks, benchmarks, quality standards and strategic plans toward sustainable tourism development. The Competitiveness Through Best Practices program exposes tourism planners and operators to products and destinations that exemplify quality, productivity and profitability.

An internal assessment of the Bouctouche project revealed that 215 participants representing 21 communities and other economic development interests in the Atlantic region completed the curriculum-based programs. The assessment emphasized the need to refocus ACOA's activities from training communities to one of providing technical and professional support, to enable communities to implement the lessons learned. A redesigned project is scheduled for delivery in the fall of 2006.

The Gros Morne project exposed approximately 100[33] tourism businesses to sustainable tourism training programs directed at outdoor, nature-based and eco-tourism experiences. Through ten best practices missions attended by nearly 80 tourism planners and businesses, industry was provided with first-hand industry knowledge and information on tourism products that exemplify attributes such as quality, high productivity, extended seasonality, and motivation to travel.

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[31] *2005 ACTP Conversion Study*, U.S. Committee: Atlantic Canada Tourism Partnership, February 2005.
[32] Tourism Atlantic Marketing Initiative (TAMI) Conversion Study, January 2006.
[33] *2005-2006 Registrations – by Course, Province of Origin and Sector*, Gros Morne Institute for Sustainable Tourism, 2006.

Other successes in sustainability programming were seen with the development of the Total Market Readiness Program. The Agency's focus on quality and sustainability in the tourism industry led to the development of this program, aimed at directing and guiding tourism business improvement.

Total Market Readiness Program, directing and guiding the development of:

- New streams of high quality niche tourism experiences
- Refreshing existing products through professional support and facilitation – mentoring, mystery shopping and best practices

Co-ordinated Federal Presence

ACOA's strategic public and industry partnerships continue to bring a co-ordinated, regional approach to tourism development in Atlantic Canada. These partnerships enabled attention to be focused on the development of priority tourism subsectors (such as the Atlantic Canada Cruise Association, Atlantic Economuseum Network, Signature Attractions of Atlantic Canada, Commission du Tourisme Acadien du Canada Atlantique), as well as on the need to seamlessly communicate the importance of a focus on product quality and sustainability. A Quarterly Tourism Working Group contributes to a co-ordinated federal presence. Through exchanges of information and discussions on issues of importance, ACOA has created an internal forum for policy, program, and strategy development at both the provincial and regional levels.

Tourism Partnerships

The Agency's partnership approach to tourism development is further demonstrated by: its partnerships with the Cruise Association of Newfoundland and Labrador; the implementation of a strategic development plan for Cape Breton; the Mainland Nova Scotia Accommodations Needs Assessment Study; the Fundy Trail Authority initiative in New Brunswick; and the implementation of the Five-Year Tourism Competitiveness Strategy in Prince Edward Island.

Success through partnerships:

- Canadian Tourism Commission
- Parks Canada
- Canadian Heritage
- Provincial departments of Tourism
- Regional Tourism Industry Associations
- Other tourism groups
- ACOA

Program Sub-activity: Other Support to SMEs

Provide assistance to support increased private sector investment, business planning and/or marketing for the domestic market, and to establish venture and seed capital funds.

Expected Results: 1) Increased activity in SME establishment, expansion and modernization related to the domestic market 2) Enhanced availability and utilization of risk capital in Atlantic Canada	
Indicators: a) Increase in sales b) Increase in wages and salaries c) Venture capital: i) Number of investments by venture capital funds ii) Financing involved iii) Money leveraged from investors based outside the region	***Three-year Targets:*** *2005-2006 to 2007-2008* a) Stabilize or increase sales b) Stabilize or increase wages and salaries c) Venture Capital i) 60 deals ii) $150 million iii) $75 million
Performance Measurement Strategy: Data sources include Statistics Canada and project reviews and evaluations, as well as published documents from venture capital firms and industry associations.	

ACOA funds projects that directly support increased private sector capital investment, business planning, marketing for the domestic market, establishing facilities and infrastructure, and establishing venture and seed capital funds.

Among the greatest barriers to the start-up and expansion of SMEs in Atlantic Canada is insufficient access to capital. Breaking down these barriers, in association with public and private sector partners, is a priority for ACOA. The Agency aims to help address the most critical financing gaps such as soft-cost investments in new technology, staff training and trade development. There is evidence of some higher risk, project-related gaps in rural areas and in the tourism and aquaculture sectors. There are also client-related gaps (i.e. women, youth) and gaps in equity and microcredit.

In 2005-2006, ACOA continued to work toward increasing activity in the establishment, expansion and modernization of SMEs, investing $34.9 million in the domestic market alone. Financial contributions for the establishment of SMEs totalled $10.5 million, while expansion and modernization investments totalled $30.4 million, for an aggregate amount of $40.9 million. These investments were made in 414 projects, or 385 firms, indicating increased business activities.

On the venture capital front, the Atlantic region only receives about 2%[34] of Canadian venture capital dollars; this is significantly short by any measure, be it per capita, by percentage of GDP, or by type of businesses receiving venture capital. In the last year,

[34] *Canada's Venture Capital Industry in Q1 2006* and *Canada's Venture Capital Industry in Q2 2006*, Thomson Financial, 2006. http://www.canadavc.com/info.aspx?page=stats.

14 Atlantic SMEs received approximately $20 million in venture capital deals, which included approximately $12 million from outside the region.

GrowthWorks Atlantic Venture Fund, a labour-sponsored venture capital fund, commenced operation in January 2005, assisted by ACOA's $10-million conditionally repayable, six-year commitment toward operating costs. During the first 15 months of operation, to March 31, 2006, GrowthWorks raised approximately $11 million from Atlantic Canadians and invested approximately $3 million.[35] GrowthWorks also merged with the New Brunswick Workers Investment Fund (another labour-sponsored fund), thereby increasing its asset base significantly and providing more depth to the organization. Efforts to increase the availability of venture capital in the region continue, and increased activity is anticipated for next year as the climate for venture capital investment is positive.

Other activity in the region included an ACOA-led study on microcredit that provided the impetus for seed investments in rural communities. In 2005, the Nova Scotia Co-operative Council and the Extension Department of St. Francis Xavier University received financial support from Agriculture and Agri-Food Canada's Rural Secretariat to pilot a community-based microcredit (seed) program in five communities through the credit unions sector.

The past year also saw ACOA co-lead an "Access to Capital" round table with representatives from the four Atlantic provinces. The goal of the round table is to identify SME financing/capital gaps and to propose remediation action. This work is ongoing and parallels a full review of small business financing being done by the Canadian Institute for Research in Public Administration and Public Policy at the Université de Moncton. These initiatives will lead to investor-readiness seminars for Atlantic SMEs in 2006-2007, thereby contributing to better business planning and marketing.

[35] *2006 Semi-annual Report: Interim Financial Statements (unaudited)*, GrowthWorks Atlantic Venture Fund, February 28, 2006; and *2005 Annual Report: Financial Statements*, GrowthWorks Atlantic Venture Fund, August 31, 2005.

Program Activity: Access to Business Information

Provide counselling, mentoring and information referrals to Atlantic Canada.

Expected Results: Access for Atlantic Canadians to accurate timely and relevant business information, counselling and referrals		
Indicator: % of clients indicating satisfaction with information they received (CBSCs)	***Target*** 75% to 80%	***Result:*** 85%
Performance Measurement Strategy: Analysis of data from client surveys		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
2.8	2.9	3.1

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
21	21	0

Atlantic Canadians exploring the start-up or growth of a business need convenient access to information on related government regulations, programs and resources. Typical questions on the mind of someone interested in starting and running a business relate to registering a business name, registering for HST, preparing a business plan, locating market research, hiring employees, protecting intellectual property, finding financing, etc.

The Government of Canada helps answer these types of questions through Canada Business. ACOA's role is to act as the federal managing partner for the Canada Business Service Centres (CBSCs) in Atlantic Canada.

The objective of this network of CBSCs and their partners is to improve service to small businesses and new entrepreneurs by providing comprehensive information and referrals on government services, programs, and compliance requirements for both the federal and provincial levels of government. The CBSCs reduce the complexity of dealing with various levels of government by serving as a central resource. Less time spent by business people on trying to find the right information means more time spent on making their businesses productive and competitive.

In Atlantic Canada, CBSCs are located in each provincial capital city, with access being further enhanced through over 100 regional access partners that help put people in touch with the information available through Canada Business. This Atlantic Canadian network includes over 40 Aboriginal Business Service Centres, which tailor information to the needs of the Aboriginal business person. A national secretariat, resident in Industry Canada, provides for national co-ordination.

CBSCs are innovative service providers that facilitate partnerships with other levels of government and business service organizations, all with a view toward providing the best

possible client service. Although client satisfaction levels are very high, at 85%,[36] efforts to enhance service are ongoing. For example, Canada Business is exploring ways to better incorporate municipal information for businesses, and is looking at ways to make its Internet content available through the websites of other organizations.

More information is available at
http://canadabusiness.gc.ca/gol/cbec/site.nsf/en/index.html

[36] *Evaluation of the Atlantic Canada Business Service Centres*, Goss Gilroy Inc., 2002.

Strategic Outcome – Community Development

Economic opportunities for Atlantic Canada through community economic development.

Expected Results: Increased economic opportunities for Atlantic Canada	
Indicators: a) Impact on earned incomes in communities b) Impact on employment growth in communities	***Five-year Targets:*** *2003-2004 to 2007-2008* a) Stabilize or increase earned incomes in communities b) Stabilize or increase employment growth in communities
Performance Measurement Strategy: Analysis of Statistics Canada data (every five years)	

The Atlantic economy is built on the region's many geographic, linguistic and cultural communities. Communities are the fundamental building blocks on which economies are built. Given their importance in an economic development framework, ACOA focuses targeted efforts and strategies toward community development as one of the key pillars of its overall strategy for the region. The Agency supports Atlantic Canadian communities in their efforts to develop the resources they need to take full responsibility for their own economic development. ACOA works in co-operation with other levels of government, other federal government departments, non-government organizations, and community groups to lever support and co-ordinate economic development.

Community Development program activities:
1. Community Economic Development
2. Special Adjustment Measures
3. Infrastructure Programming

From small remote villages to larger urban centres, the opportunities and challenges vary significantly. This requires a flexible, holistic approach, based on the realities of a given community's capacities, strengths and challenges. Community development is a bottom-up process that helps develop the tools, resources and initiatives that support individual and unique strategic development.

Community Economic Development

A major element of ACOA's work with communities is accomplished through the Innovative Communities Fund (ICF). ICF was launched in 2005 following an evaluation of the previous community economic development program, the Strategic Community Investment Fund, which recommended the continuation of flexible programming within ACOA in order to invest in communities and better meet their needs.

ICF invests in strategic projects that build the economies of the region's communities and the strengths of communities, and provides the tools needed to identify available opportunities for their sustainable economic growth.

In 2005-2006, ACOA continued to address communities' needs and priorities, and attempted to support communities in achieving new growth and economic opportunities. ACOA's support, through the Community Futures Program to Community Business Development Corporations (CBDCs), which offer access to capital and counselling services to businesses, together with operational support to Regional Economic Development Organizations (REDOs), which are involved in community economic development strategic planning, ensures that these organizations play a key role in community development.

Special Adjustment Measures
Special adjustment measures seek to reduce or lessen the impact of economic downturns in the region, ultimately resulting in the lessening of what would otherwise have been economic crises. Several initiatives across the region, including the examination of alternatives to shipyard activities and the implementation of short-term activities designed to create employment alternatives to fishing (owing to the closure of the cod fishery), all form part of the Special Adjustment Measures brought forth by ACOA.

Infrastructure Programming
Infrastructure programming enhances municipal infrastructure in urban and rural communities throughout Atlantic Canada. ACOA, in partnership with the provincial and local governments, delivers the Infrastructure Canada Program (ICP) to help renew and build physical infrastructure in communities across the region. In 2005-2006, ACOA invested $35.8 million in enhancing infrastructure in Atlantic communities.

Program Activity: Community Economic Development

Provide assistance to improve the climate for business growth and/or to small and medium-sized enterprises to help them start, expand or modernize their businesses.

Expected Results: Enhanced business and economic opportunities for Atlantic Canada communities		
Indicators:	***Targets:***	***Results:***
a) Jobs created by CBDCs	a) 1,600 jobs	a) Target exceeded; 2,404[37] jobs created through CBDC assistance
b) Level of strategic investment in communities	b) 1,500 loans	b) Target exceeded; 2,130 loans provided
Performance Measurement Strategy: Analysis of CBDC report data, and internal systems data		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
110.9	111.2	111.2

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
139	139	0

To be sustainable and grow, communities must invest in those initiatives that show the potential to stimulate economic development. ACOA works in co-operation with communities, making strategic investments to capitalize on opportunities for sustainable economic growth and to build community development capacity. In doing so, ACOA invests in the development of critical economic development infrastructure, including strategic sectors, skills capacity, critical community assets and other key areas. ACOA works with communities to identify investments to stimulate transformative change and support strategic development. These investments capitalize on the capacity, strengths and opportunities present in the community, as identified in community economic development plans and strategies.

Innovative Communities Fund invests in long-term employment and economic capacity-building in rural communities.

ACOA's main tool for community investment is the Innovative Communities Fund (ICF). Launched in July 2005, the ICF has committed $38.8 million to 62 projects across the region. The ICF follows the previous Strategic Community Investment Fund, which had invested $180 million in over 480 community initiatives worth a total of $385 million.

Working in partnership with Atlantic communities and stakeholders, the ICF builds on the strengths of communities and provides the tools needed to identify opportunities available for their sustainable economic growth. For example, in Newfoundland and Labrador, the Salmon Cove Future Development Association is working in partnership with the Atlantic Cool Climate Crop Research Centre to test the viability of non-traditional crops with significant commercial and medicinal value, including sea

[37] CBDC Atlantic Report, July 2006.

buckthorn, edible honeysuckle and beach pea. The introduction of these crops to local farmers will mean increased employment and export opportunities for the province.

Community Futures Program 2005-2006 results:
- $59 million in investments
- Over 8,000 counselling sessions
- Over 2,000 loans

The lack of business capital available in rural regions of Canada has become a significant economic development barrier. This lack of capital impedes the creation and expansion of small business in rural areas – businesses that are essential to the vitality and sustainability of communities. ACOA, through the Community Futures Program, provides contributions to 41 Community Business Development Corporations (CBDCs) in rural Atlantic Canada. These CBDCs are run by community-based boards of directors with a focus on local community economic development. Contributions permit CBDCs to provide an essential source of investment capital that focuses on rural small businesses, as well as business counselling and skills development.[38]

ACOA also provides contributions to the Atlantic Association of CBDCs, permitting the association, through targeted initiatives such as the Technology Development Fund and the Atlantic Canada Community Business Investment Fund, to provide a suite of programs and services to small businesses in rural Atlantic Canada. The Technology Development Fund was established specifically to stimulate the adoption and use of technology by those SMEs in rural Atlantic Canada. The initiative enables SMEs to purchase and incorporate current technology into their businesses improving business processes and increasing productivity.

In order to take responsibility for their own economic development future, communities need the capacity and resources to lead the community development process. This process focuses on bringing the community together to plan, develop and implement economic development efforts, and must be developed and led by the communities. To facilitate this community capacity, ACOA, in co-operation with other levels of government, supports 52 Regional Economic Development Organizations (REDOs) responsible for the co-ordination, development and implementation of strategic economic development at the local and regional level. ACOA contributed a total of $7.8 million toward operational funding to the REDOs in 2005-2006.[39]

In the last year, 52 strategic plans were developed in rural communities. These plans assisted communities in assessing their strengths and weaknesses in order to implement strategic initiatives that will contribute to the economic growth of their regions.

[38] Results from CBDC Atlantic Report, March 31, 2006.
[39] Regional internal REDO tracking systems, June 2006.

From these plans, 288 community-based projects were supported, totalling over $65 million in ACOA investments from its Business Development Program. Projects include assistance to:

- Maritime Fishermen's Union
    - Establishing a lobster hatchery and scallop seed processing plant in Petit Rocher, New Brunswick.
- Newfoundland and Labrador Federation of Agriculture
    - Establishing a strategy for commercialization of the cranberry industry.
- Metropolitan Immigrant Settlement Association of Nova Scotia
    - Training and counselling for immigrants, including business orientation.
- Atlantic Canada Cruise Association
    - Developing a marketing strategy.

Working proactively with communities facing transition:

- Restigouche/Chaleur region of New Brunswick closure of mine and paper mill
- Shelburne County fishing industry

ACOA works proactively with communities that are or will be facing significant development challenges. Currently, ACOA is working with the Restigouche/Chaleur region of New Brunswick, which is facing the closure of a mine and a paper mill. Over 60 local companies are involved in an initiative directed to businesses in the mining and value-added wood sector. As a part of this initiative, ACOA is also working with metal companies in the region to establish a metal consortium focused on strategic marketing of metal capabilities in order to bring additional contracts to the region.

In Nova Scotia, ACOA is working with the South West Shore Development Authority and the Nova Scotia Fish Packers Association, along with the Province of Nova Scotia, documenting the current situation and trends related to the fishing industry in Nova Scotia. This includes outlining requirements for a competitive and profitable industry assessing the raw material supply issues and competition, and the possibility of restructuring the industry. The results of this initiative will bring forth the introduction of a labour force adjustment plan for the salt fish processing industry and the development of strategic priorities in order to diversify the economy in Shelburne County.

Program Activity: Special Adjustment Measures

Support initiatives that improve the economic base of communities in the long term.

Expected Results: Partner with communities to manage and mitigate economic crises		
Indicator: Reduced or lessened impact of economic downturns	***Target:*** As determined by the objectives of each program	***Result:*** On track
Performance Measurement Strategy: Internal reports		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
23.9	5.7	1.9

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
1	1	0

There are circumstances in which federal government decisions, or impacts in an area of its mandate, have resulted in the need for a major adjustment in a community or region. From time to time, there is also a need for targeted interventions as a result of natural disasters. These measures are based on the appropriation of new funds that are delivered through ACOA, as the economic development agency within Atlantic Canada. Each special adjustment measure will have specific objectives, clients and performance measures.

In targeted areas of Atlantic Canada, ACOA is working with communities facing adjustments. In New Brunswick, the Saint John Shipyard Adjustment Initiative (SJSAI) is well underway and is designed to ensure the closure of shipyard operations and redevelopment of the site for other economic development use. An initial repayable contribution of $4,095,000 was approved under the SJSAI's Shipyard Redevelopment Program in 2004 to conduct a feasibility study to identify best uses for the former shipyard site and remove impediments for future development. It is expected that this project will be amended, allowing for an increase in funding from $4.095 million to $9.995 million and extending the project completion date to December 2007. The Shipyard Redevelopment Program led to an application under the SJSAI's Industrial Diversification Program to assist in the establishment of a gypsum wallboard manufacturing facility on the former shipyard site. This project has been approved for $35 million in funding and is expected to be completed by March 31, 2008. It is anticipated that the $55-million SJSAI will be fully committed by end of 2006.

Program Activity: Infrastructure Programming

Provide programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada.

Expected Results: Enhanced infrastructure in urban and rural communities, and public infrastructure		
Indicator: Investments in infrastructure projects in Atlantic Canada	***Target:*** $51.5 million	***Result:*** Target not attained; $35.8 million invested toward enhancing infrastructure in urban and rural communities and public infrastructure
The forecasted target was not attained mainly because the new Municipal Rural Infrastructure Fund agreements for Nova Scotia and Newfoundland and Labrador were not signed until November 2005. The New Brunswick and Prince Edward Island agreements were signed in December 2004 and April 2005 respectively.		
Performance Measurement Strategy: Individual projects and the overall program are monitored on an ongoing basis to ensure they meet objectives; audits are performed annually to ensure that public funds are spent judiciously.		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
52.2	40.1	30.9

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
7	7	0

The provision and maintenance of quality public infrastructure provides the foundation for economic development and is critical for economic prosperity. Providing and effectively managing potable water, waste treatment facilities, highways, municipal roads and bridges and transit systems impacts on economic growth, and has strong environmental implications. This requires programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada, through investments that protect the environment and support long-term economic growth. These include the following programs.

Investments in infrastructure programming:
- Canada Strategic Infrastructure Fund (CSIF) - $2 billion
- Municipal Rural Infrastructure Fund (MRIF) - $1 billion
- Infrastructure Canada Program (ICP) - $2 billion

ACOA invests in initiatives that improve the quality of the environment and contribute to the Government of Canada's goal of clean air and water.

Infrastructure Canada Program (ICP) – the longest standing infrastructure program, created in 2000, to enhance municipal infrastructure in urban and rural communities across the country and improve Canada's quality of life through investments that protect the environment and support long-term economic growth. The ICP is administered by ACOA in each Atlantic province by providing one-third of project costs to municipalities and non-government organizations. Working with Infrastructure Canada and the Provinces, ACOA oversees and ensures the flow of federal funds allocated to each region through

the various infrastructure funding streams. The ICP's top priority is green municipal infrastructure – projects that improve the quality of the environment and contribute to national goals of clean air and water. All ICP funding has been committed, and more than 3,500 projects have been announced. Further information is available on Infrastructure Canada's website at http://www.infrastructure.gc.ca

Municipal Rural Infrastructure Fund (MRIF) – directed to improve and increase public infrastructure in areas such as water, wastewater, cultural, recreation, and those very things that make our communities vibrant and productive places to live and work and raise families. Again, green infrastructure is a priority, with 50% of total MRIF programming funds directed to this area. The MRIF also directs funding to facilitate the safe and efficient movement of goods and people, ease congestion, or reduce the emission of greenhouse gases and airborne pollutants, all critical components of transportation infrastructure. The 2003 federal budget announced a $2-billion top-up to the MRIF.

Municipal Rural Infrastructure Fund (MRIF)

	Green municipal infrastructure	Other projects	Investment ($ millions)
NL	32		4.4
NB	18	7	16.0
NS		1	1.25
PE	21	13	4.8

Source: Shared Information Management System for Infrastructure (SIMSI)

Canada Strategic Infrastructure Fund (CSIF) – funding initiatives that cannot be dealt with under the ICP. Priority projects this year include the St. John's Harbour cleanup in Newfoundland and Labrador. To date, $93 million has been invested toward the project.

Strategic Outcome – Policy, Advocacy and Co-ordination

Adequate representation of the interests of Atlantic Canada in national economic policy, program and project development and implementation.

Expected Results: Provide policy leadership and advocate Atlantic Canada's interest in economic policy and programming		
Indicator: New or improved policy positions and strategies on regional development in Atlantic Canada	***Target:*** Five positions/strategies	***Result:*** Renewed federal commitment to strategies and policy positions aimed at improving Atlantic Canada's competitiveness, as seen in Budget 2006
Performance Measurement Strategy: Reporting every five years, data sources include ACOA's Policy Network and key informant survey		

ACOA's legislation provides the mandate for the Agency's Policy, Advocacy and Co-ordination (PAC) role, which has become central to identifying and analyzing the critical issues facing the regional economy. The Agency's policy work aims to provide a well-grounded base of understanding for the development of ACOA's strategic priorities and initiatives, for program design and as input to major resource allocation decisions. Through its legislation, ACOA is mandated to co-ordinate policies and programs of the Government of Canada in relation to opportunities for economic development in Atlantic Canada. The advocacy function at ACOA serves to influence national decision-making processes through engagement in the policy process with other departments.

Developing policies and programs that strengthen the Atlantic economy.

In addition, the PAC function looks for opportunities at the national level to advance Atlantic regional development through the federal Industrial and Regional Benefits (IRBs) policy. This framework promotes the development of Canadian industry, especially in high-technology sectors. The policy also addresses specific sectors of Canadian industry, including regional firms and small and medium-sized enterprises. ACOA uses this policy to advocate for Atlantic Canadian companies generally, and specifically promote Atlantic industrial capacity and capability to national and multi-national companies, thereby assisting regional firms to participate in major defence and aerospace contracts. For instance, in 2005-2006, ACOA's efforts resulted in $1 billion of industrial and regional benefit commitments (nearly 20% of the total) for the Maritime Helicopter Project to be identified for firms in the Atlantic region.

During 2005-2006, the Agency strengthened its legislated advocacy role in terms of promoting Atlantic interests on the national stage. This effort involved focusing on a number of advocacy priority areas including: aerospace and defence, aquaculture,

Atlantic population strategy, cities and communities, commercialization, energy and tourism.

All aspects of the policy, advocacy and co-ordination function of ACOA were engaged in advancing these new advocacy priority areas, which involved:

- providing strategic analysis and a regional perspective;
- engaging and co-ordinating with other stakeholders; and
- advocating and communicating the regional interests so they would be considered on the national agenda.

A good example of how policy, advocacy and co-ordination contribute to the results of a priority area can be seen by looking at advancements in the area of innovation and commercialization. ACOA continues to focus attention on policy analysis and research in these areas.

Results of policy research, analysis and advice are seen in the medium term and provide a basis for co-ordination efforts which follow. The policy unit provides advice supporting decisions to approve projects submitted under the Atlantic Innovation Fund (AIF). Co-ordination effort can involve undertaking shared research and developing cohesive messaging. This was the case when Environment Canada, Industry Canada, the National Research Council's Industrial Research Assistance Program and ACOA completed a study related to environmental technology innovation and commercialization in Atlantic Canada. Following its completion, coherent and cohesive messaging was developed regarding the potential implementation of some of the report's recommendations at the federal level.

Advocacy work helps link regional needs to emerging national policy on commercialization and productivity by engaging key stakeholders (federal, provincial, industrial and academic) to place greater emphasis on commercialization and innovation. For instance, the Placentia Smart Bay technology demonstration project in Newfoundland and Labrador, which showcases integrated ocean technology management, was a result of advocacy efforts. In this case, ACOA worked with the federal Department of Fisheries and Oceans, the National Research Council, and the provincial Department of Fisheries and Aquaculture to identify areas of co-operation for advancing the ocean technology industry in the region.

Over the longer term, PAC has contributed to the development of a strategy for innovation in Atlantic Canada. This strategy was endorsed through the Budget 2006 announcement of $590 million, which saw the government making a renewed commitment to the previously announced Atlantic Investment Partnership. Innovation continued to be a key component to this renewed strategy.

Other evidence of activities undertaken and results achieved during 2005-2006 is presented in the subsequent sections, Policy, Advocacy and Co-ordination. These sections highlight some examples of how ACOA is serving to provide policy leadership, and advocate Atlantic Canada's interests in economic policy and programming, leading to new and improved policy positions and strategies in the area of regional development.

Program Activity: Policy

Carry out policy analysis and research to determine the areas in which ACOA will act to most effectively carry out the Agency's mandate.

Expected Results: Increase internal and external capacity to identify and explore issues critical to developing policies and designing and improving programs		
Indicators:	***Targets:***	***Results***
a) Impact of new policies/strategies on programs and initiatives	a) Continuation of program and policy review activity based on environmental scanning and issue analysis	a) Ongoing, as shown in examples below
b) Usefulness and impact of studies	b) Creation of survey instrument to measure feedback	b) Key informant interviews (through the Atlantic Policy Research Initiative 2005 evaluation) provided positive feedback from stakeholders
c) Increased capacity of partners/researchers to participate in policy development	c) Creation of inventory of researchers	c) Inventory of researchers created
Performance Measurement Strategy: Annual reporting, data sources are ACOA's Policy Network and Atlantic Policy Research Initiative report		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
11.0	6.3	5.8

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
37	37	0

ACOA's Policy objective is to provide a clear and well-grounded base of understanding of Atlantic Canada's circumstances and issues. Policy guides strategic directions needed to build the foundation for effective shared strategies and initiatives in the field of regional development. In effect, policy provides a radar screen for ACOA to identify major issues, explore economic opportunities and address challenges facing the region. It also provides support to program design and inputs into national policy development and federal-provincial relations.

Specific activities undertaken through policy research and analysis, as well as economic analysis, lead to the development of policies, frameworks and advice. A Policy Network co-ordinates corporate policy activities, and contributes to corporate strategies and long-term planning. The policy function includes internal and external research, ongoing analysis of trends, consulting and engaging other federal departments, the Provinces and other key stakeholders on major economic files and exploring new initiatives to further develop the Atlantic economy. ACOA also engages other public and private sector policy stakeholders to strengthen the policy research capacity in the Atlantic region. Within ACOA, a key responsibility for policy is to provide leadership and strategic direction, and to inform and advise decision-makers. Providing solid economic and

policy analysis in support of enterprise development and community development is imperative and, increasingly, policy research and analysis are supporting the advocacy priority strategies.

ACOA's policy function is supported by a dedicated research program, the Atlantic Policy Research Initiative (APRI), which funds region-wide research projects, and is designed to contribute to building a critical mass of public policy research capacity in Atlantic Canada. An inventory of policy researchers and related stakeholders in the Atlantic region has been developed and a wide range of policy organizations, academics and external researchers are engaged on various studies and issues.

APRI was evaluated and renewed in 2005-2006, demonstrating ACOA's continued commitment and progress toward the development of policy positions and strategies on regional development over five years. The evaluation[40] involved a number of approaches including key informant interviews with ACOA and other stakeholder groups selected to represent provincial and industry perspectives. It was confirmed that APRI continues to be relevant since there is still a need for Atlantic-specific information on various economic development issues and potential opportunities. Overall, the APRI evaluation indicated that stakeholders believe that activities funded through APRI, such as round tables and conferences, are useful to stimulate dialogue, networking and the dissemination of knowledge.

Atlantic Policy Research Initiative:
"Most projects would not have occurred without APRI funding. This indicates high incremental impact by the Initiative."

- Summative Evaluation of the Atlantic Policy Research Initiative, by Goss Gilroy Inc., April 2005

Examples of APRI activity 2005-2006

- 15 projects were approved providing assistance to six conferences, two round tables and seven projects involving policy research and studies.
- Published reports include:
    - *Attracting the Big Bucks: Foreign Investment in Atlantic Canada*
    - *The Ocean Technology Sector in Atlantic Canada*, Volumes 1 and 2
    - *Immigration and Rural Canada: Research and Practice*, from the Canadian Rural Revitalization Foundation (CCRF) and Rural Development Institute (RDI) National Rural Think Tank 2005.
- Follow-up presentations to stakeholders were held on findings related to the socio-economic profile of Atlantic Canada, which had been completed in March 2005.[41]

Sound advice related to regional development in Atlantic Canada requires a thorough understanding of the region's economy. Through the preparation and distribution of regular reports on the economic situation *(Economic Overview of Atlantic Canada;*

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[40] *Summative Evaluation of the Atlantic Policy Research Initiative*, by Goss Gilroy Inc., April 2005.
[41] For studies, results and reports currently available, refer to the Publications section of ACOA's website at http://www.acoa-apeca.gc.ca/e/en/index.asp.

Labour Market Conditions in Atlantic Canada, and *Export Performance in Atlantic Canada)*. ACOA contributes to increased knowledge of circumstances facing the Atlantic region that need to be considered when making policy decisions. Economic research and analysis related to productivity, federal transfers, foreign investment and local economy indicators were also undertaken and were used in supporting the development of policy strategies and positions taken by ACOA. Econometric impact analysis was also undertaken in 2005-2006 with respect to calculating the overall contribution of the aquaculture sector and the Youth SEED Program to the Atlantic economy.

Following are examples of the types of activities undertaken in the areas of policy analysis, research and engagement throughout the course of a fiscal year. These serve to document and demonstrate the short-term results that have materialized during the 2005-2006 reporting period.

Policy Support to Innovation and Commercialization

Innovation and commercialization continue to receive significant attention in terms of policy research. ACOA undertakes research supporting innovation and commercialization, since these are necessary drivers if the Atlantic region is to close the gap on national levels of productivity and competitiveness.

Policy research supports funding decisions for the Atlantic Innovation Fund

The findings of *The Ocean Technology Sector in Atlantic Canada*, Volume 1, were used by decision makers involved in the Atlantic Innovation Fund (AIF) to determine how AIF proposals would be positioned within the ocean technology industry of Atlantic Canada. Policy advice is provided routinely in support of the AIF Sector Teams. For instance, an energy sector presentation was drafted for the AIF Advisory Board and provided advice on previously funded projects such as the Centre for Marine Compressed Natural Gas Inc. (CMCNG) in Newfoundland and Labrador.

Another example involved the Canada-Nova Scotia Innovation Team, which engaged various federal and provincial member departments in a discussion to identify a strategy for 2006-2007 in two key priority areas: commercialization and innovative communities. The outcome was the identification of activities that the team could undertake jointly to advance commercialization and the development of innovative communities in Nova Scotia without duplicating existing departmental activities. This team also hosted a collaboration session with participation from federal and provincial governments as well as associations and organizations involved in commercialization. The purpose was to explore commercialization activities across Nova Scotia and share strategies to overcome the challenges to commercialization in the province.

Policy Support to Population Strategy

After having completed an immigration strategy to encourage the attraction and retention of immigrants to Atlantic Canada specifically, further effort was required to respond to the demographic challenges of the region, which include an aging and declining population and workforce. In recognition of these challenges, the immigration strategy has expanded into a broader advocacy priority: population. This is another solid example of how policy work undertaken within ACOA is helping to shape new strategies and programs/initiatives, one of the key indicators for policy development.

This example further demonstrates how policy research and advice support advocacy and co-ordination for ACOA. In this case, the immigration-focused policy work has led to the Agency co-operating with other federal departments and provincial governments, namely through the creation of the federal-provincial Atlantic Population Strategy in 2005. This strategy will focus on initiatives to increase immigration to support economic and social development in Atlantic Canada, with particular reference to youth retention, attraction, and promotion.

Policy work helps to shape new strategies and initiatives like the Atlantic Population Strategy.

Policy Support to Community Development

During 2005-2006, the Agency initiated internal research on community development models of interest and best practices. This research assesses and compares ACOA's current approach to community development and further supports dynamic and sustainable communities in Atlantic Canada. This work will help the Agency to identify potential areas for further research.

In parallel to the above-mentioned researched, ACOA highlighted best practices in community development with an emphasis on policies and programs targeting economic development in communities facing major economic downturns or adjustments. The Agency also provided policy advice relating to potential economic adjustment responses in single-sector communities. This research supports ACOA's policy and program development in working toward sustainable community development in affected communities.

Exploring Future Opportunities and Addressing Challenges

Beyond providing support to existing strategies and priorities, ACOA's policy function continues to undertake environmental scans to determine emerging opportunities and challenges facing the Atlantic region. For example, one such opportunity is related to ACOA's efforts to improve access to global trade. In this case, ACOA organized and participated in an Atlantic round table on the emergence of cross-border regions between Canada and the United States, as part of the Policy Research Initiative's national study. The round table provided the Agency further opportunity to collaborate with regional stakeholders on identifying regional economic development strategies and challenges, seeking to enhance the region's, as well as Canada's, competitive position in the global economy.

Capitalizing on the region's strengths in emerging sectors is important for ACOA. Such was the case for the translation industry in New Brunswick. Through consultations with other federal and provincial departments and industry, ACOA prepared a policy options paper identifying emerging opportunities for the development of the translation industry in New Brunswick. The analysis led to the creation of a team consisting of government, educational institutions and industry to develop a strategic approach to ensure the industry's short-term viability, while preparing it for opportunities offered by the growing Canadian and long-term global demand for language industry services.

Sectors such as bioscience are also using strategic planning as a tool to better monitor future advancements and progress in the industry. For example, the Agency, through funding support to the PEI BioAlliance, has been involved in establishing targets for bioscience cluster development by 2010.

Results such as these demonstrate how ACOA policy activities are necessary precursors to the successful engagement of other players, be they public or private sector, in developing policy positions responsive to the broad economic conditions facing Atlantic Canada.

Program Activity: Advocacy

Advocate the interests of Atlantic Canada to make new government initiatives more responsive to the needs of Atlantic Canada.

Expected Results: Effective defence and promotion of Atlantic Canada's interests		
Indicator: Impact of Agency positions taken with respect to policy and programs	***Target:*** Increase the impact and influence of ACOA participation on horizontal and other files important to Atlantic Canada	***Result:*** The advocacy function has been restructured using a new model that aligns ACOA's vice-presidents with the key priorities of the federal government. These seven advocacy priorities have yielded some immediate results as illustrated in the examples provided below.
Performance Measurement Strategy: Reporting every five years, data sources include: survey and interviews with senior officials of economic development departments.		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
3.9	3.9	3.1

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
26	26	0

The role of advocacy within ACOA is to make government initiatives more responsive to the needs and opportunities of Atlantic Canada. This is accomplished through environmental scanning and the monitoring of the federal government's priorities for linkages and impacts, alerting and advising government officials on emerging issues, feeding information about Atlantic Canada to central agencies, line departments and Cabinet, and influencing the government's procurement agenda.

Advocating for Atlantic regional firms seeking major defence and aerospace resulted in $1 billion of financial commitments for Atlantic Canada.

In 2005-2006, ongoing advocacy activities ensured that ACOA was an effective advocate for Atlantic Canada by representing the region's interests in national policy and program development, in pursuing industrial regional benefits from major Crown procurement contracts, and by making the objectives of the federal government better understood among regional stakeholders. Policy advocacy and procurement activities included:

- providing timely and pertinent advice to the minister (for Cabinet business meetings) and to senior management, including information, strategies and intelligence on national policy priorities relevant to Atlantic Canada;
- participation in multi-lateral initiative (e.g. three pan-Atlantic federal-provincial tables that focused on issues of mutual concern - population, policy and access to capital); and
- participation in reviews of large federal procurement processes and advocating for Atlantic regional firms seeking major defence and aerospace contracts. Results of such efforts included $1 billion of industrial and regional benefit commitments

(nearly 20% of the total) for the Maritime Helicopter Project (MHP) was identified for firms in the Atlantic region.

Funding of $590 million renewed the Atlantic Investment Partnership.

The renewal of the Atlantic Investment Partnership (AIP) was a key ACOA priority in 2005-2006. Activities in support of the strategy included creation of a regional development framework, research and analysis, liaison with other federal departments, provision of advice through briefings and preparation of Cabinet documents, and negotiation with central agencies. The result of these efforts was the announcement of the Atlantic Investment Partnership: The Second Wave, a five-year development strategy worth $590 million that renewed and expanded previous investments. The AIP strategy components (i.e. innovation and commercialization, community development, investment in human capital and business climate) were designed to build capacity and help small and medium-sized businesses compete more effectively within the Atlantic region and in a global economy.

Over the past year, the Agency has focused its advocacy role on key areas to further promote Atlantic interests on the national stage. Consistent with the AIP, this advocacy approach is designed to ensure relevant national policies and programs help drive Atlantic Canada's long-term economic development. The key areas targeted were:

- aerospace and defence
- aquaculture
- population strategy
- cities and communities
- commercialization
- energy
- tourism

Advocating for relevant national policies and programs that support Atlantic Canada's long-term economic development.

These priorities, each with an ACOA vice-president as the lead, were supported by Agency-wide teams. The initial impact of this approach has been a more focused presentation of Atlantic interests in the national policy domain, and a closer alignment of regional and national priorities.

In partnership with Department of Fisheries and Oceans, $10 million helps strengthen the New Brunswick salmon farming industry.

While the advocacy priorities are viewed as a longer term approach, they have already shown significant results in the first year. Under the aerospace and defence priority, ACOA continues to ensure that firms in Atlantic Canada are better positioned to compete for upcoming major government procurement investments (mainly within the Department of National Defence), including over $17 billion in new equipment acquisitions, such as aircraft, ships and vehicles. The ability of Atlantic firms to access these contracts builds capacity in key technology sectors such as aerospace and defence.

Under the aquaculture priority, ACOA partnered with the Department of Fisheries and Oceans in the development of a government response to the report of the Task Force on Fostering a Sustainable Salmon Farming Industry for Atlantic Canada, including the provision of $10 million to help strengthen the New Brunswick salmon farming industry.

The population strategy priority assisted in the creation of a federal-provincial working group, the Atlantic Population Table, comprising representatives from the four Atlantic Provinces and federal organizations (Citizenship and Immigration Canada, Human Resources Social Development Canada, the Privy Council Office and ACOA). This group identified possible advocacy and collaborative activities in the areas of immigration, youth retention and repatriation and built on previous work by ACOA with the Provinces on attraction and retention of immigrants. Future collaboration will help define funding sources and mechanisms for these activities.

Under the cities and communities priority, ACOA worked with its sister agencies to ensure that the resulting national approach was consistent with the principles set out by the federal government as part of the renewal of the AIP. In particular, emphasis was given to ensuring that federal departments did not duplicate what already existed. ACOA contributed to the development of federal infrastructure agreements with the Atlantic Provinces. In addition, ACOA helped develop a federal-provincial infrastructure agreement for Prince Edward Island, known as the Umbrella Governance Framework.

The energy advocacy priority included collaboration with other federal departments (Natural Resources Canada and Transport Canada) and a provincial institution (PEI Energy Corporation) to establish two energy research institutes: the Wind Energy Institute of Canada in Prince Edward Island and the Centre for Marine Compressed Natural Gas in Newfoundland and Labrador, announced in 2005.

Program Activity: Co-ordination

Engage economic partners in addressing the Atlantic region's strategic economic priorities.

Expected Results: Co-ordination of activities between ACOA, federal departments and provincial governments in Atlantic Canada		
Indicators:	***Targets:***	***Results:***
a) Joint strategic initiatives that reflect commonly held positions on defined issues	a) Creation of workplan progress report	a) Ongoing, as demonstrated through examples
b) Partnerships created to find solutions; areas of joint strategic interest identified	b) Creation of workplan progress report	b) Ongoing development and maintenance of meaningful partnerships so that solutions are found jointly to horizontal issues, such as immigration and energy (offshore oil and gas)
Performance Measurement Strategy: Reporting annually, data sources are Policy Network, PCO/IGA		

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
1.8	2.8	3.5

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
12	12	0

The Agency is mandated by its legislation to "co-ordinate policies and programs of the Government of Canada in relation to opportunities for economic development of Atlantic Canada." Working collaboratively with other federal departments and agencies, ACOA develops a coherent approach to horizontal strategies and initiatives that address developmental challenges and opportunities confronting economic development in the Atlantic region. In order to achieve a comprehensive approach, ACOA also works in partnership with Atlantic provincial governments, communities, and a range of private and public sector stakeholders.

ACOA's Partners:

- Other federal departments
- Provincial governments
- Municipalities
- Community-based economic development organizations
- Aboriginal communities
- Business sector
- Research institutes
- Universities and other educational institutions

In 2005-2006, ACOA continued to engage economic partners in addressing the Atlantic region's strategic economic priorities. Among others, key issues addressed included immigration, the development of offshore oil and gas, and the development of international business opportunities for the region's ocean technology industry cluster.

A key element for co-ordination in 2005-2006 involved re-engagement of provinces to explore collaborative approaches to economic development. This resulted in the formation of the Senior Officials Committee, which meets regularly throughout the year. As part of this new collaborative approach, working tables were established to investigate shared priority issues. Initially these have included

joint policy development, access to capital, and an Atlantic population strategy. Beginning in late August 2005, each table has conferred numerous times, and a meeting of the minister and his provincial economic development counterparts was convened to discuss shared economic development issues and challenges.

Over 2005-2006, the Agency has worked with various stakeholders to better understand and promote community-based networking in the region. They have maintained dialogue with regional stakeholders to explore shared priorities and develop regional synergies. Co-ordination on existing and developing Atlantic and cross-border economic development strategies and opportunities has been initiated. For instance, effective collaboration through the Federal Provincial Co-ordinating Committee (FPCC) in Nova Scotia has yielded the identification of four joint priorities:

- Atlantic Gateway
- population
- environmental sustainability
- innovation

Senior federal and provincial champions have been assigned to lead collaborative, incremental engagement on these files.

The co-ordination role continues to be applied in major projects such as Voisey's Bay. During this period, ACOA chaired two committees, the Voisey's Bay Interdepartmental Committee and the Voisey's Bay Federal Aboriginal Co-ordinating Committee, which serves as a single window for Aboriginals interested in pursuing business opportunities related to the project. As a result of the work of these committees, targets for Aboriginal participation in the project have been exceeded. Co-ordination of this project has led to increasing awareness of the project to the Federal Interdepartmental Co-ordinating Committee through such efforts as presentations and site visits.

The Regional Federal Councils, chaired by ACOA vice-presidents, represent another way ACOA plays a co-ordinating role in Atlantic Canada. The councils comprise a network of senior federal officials committed to the betterment of program and service delivery to Canadians in all regions of the country. Currently, the vice-president of ACOA's Nova Scotia region occupies the national chair, while ACOA's vice-president for New Brunswick is past chair. As chair of chairs, the Nova Scotia chair has focused efforts through sub-committees on four priorities: governance, expenditure review impacts, cities/communities and the northern strategy.

Other priority areas advanced through co-ordination activities in 2005-2006 are:

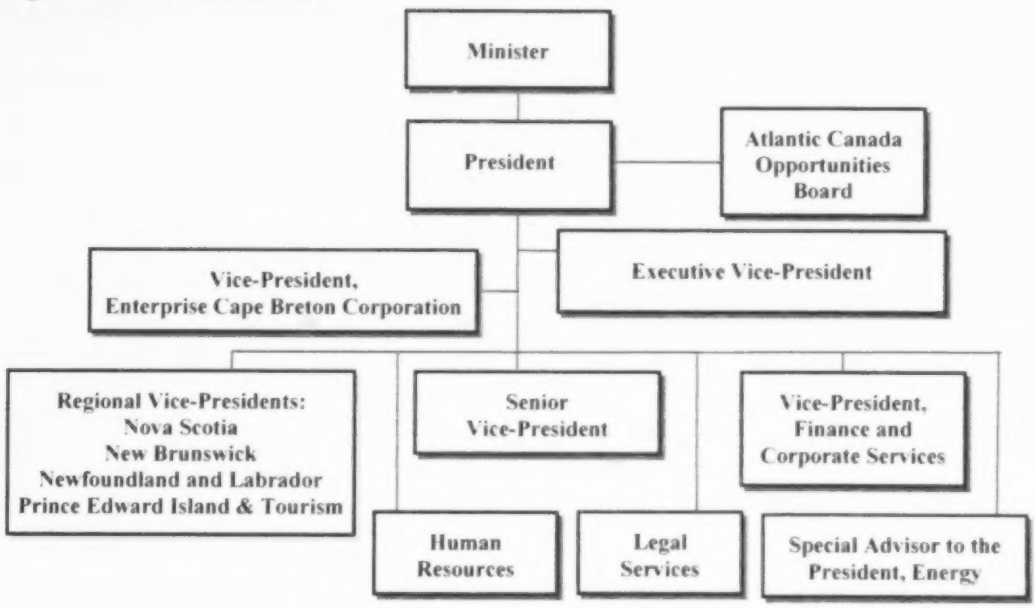
- Energy, where the Agency has continued to actively support the ongoing work of the Atlantic Energy Roundtable (AER) and provided support to the Minister at AER events in 2005. Regular meetings with officials of Natural Resources, Environment, Industry and other relevant federal departments and agencies have been held to address specific energy issues.
- Bioscience, where the Agency (in co-ordination with the University of Prince Edward Island, Atlantic Veterinary College, Technology PEI and the PEI BioAlliance) worked on the design requirements for a bio-accelerator or bio-incubator facility.

- The Atlantic Population Strategy, where ACOA worked closely with key federal partners (such as Human Resources and Social Development, and Citizenship and Immigration) to focus on labour market skills development and immigration-related issues specific to Atlantic Canada. Partners have demonstrated their commitment by providing enhanced services to immigrant entrepreneurs and newcomers with business orientation, counselling, training and mentoring services. For instance, in collaboration with the Metropolitan Immigrant Settlement Association, Business Development Bank of Canada, Canada-Nova Scotia Business Service Centre and other non-government organizations, ACOA co-hosted and sponsored with the Province of Nova Scotia (Office of Immigration) an immigrant entrepreneurship event in March 2006 to promote the awareness of business funding and support services and infrastructure in Nova Scotia among immigrant entrepreneurs and newcomers.

Section III – Supplementary Information

Organizational Information

Organizational Structure


Minister
President
Atlantic Canada Opportunities Board
Vice-President, Enterprise Cape Breton Corporation
Executive Vice-President
Regional Vice-Presidents: Nova Scotia New Brunswick Newfoundland and Labrador Prince Edward Island & Tourism
Senior Vice-President
Vice-President, Finance and Corporate Services
Human Resources
Legal Services
Special Advisor to the President, Energy

More information on people in charge and the organizational structure of ACOA may be found at http://www.acoa-apeca.gc.ca/e/about/people.shtml.

Accountability

The Minister of ACOA, the Honourable Peter G. MacKay, is responsible for the policies and programs designed to encourage economic development in Atlantic Canada and, particularly, to enhance the growth of earned incomes and employment opportunities. The Minister is also responsible for the Enterprise Cape Breton Corporation (ECBC) and the Cape Breton Growth Fund Corporation (CBGF) http://www.cbgf.ca/.

The President of ACOA, Ms. Monique Collette, is based in Moncton, New Brunswick. The President is also Chair of the Agency's Atlantic Canada Opportunities Board, President and CEO of Enterprise Cape Breton Corporation (ECBC), and Chair of ECBC's Board of Directors. While ECBC and ACOA have a close working relationship, ECBC is a separate entity; it is a Crown corporation that reports separately to Parliament.

Atlantic Canada Opportunities Board

Atlantic Canada Opportunities Board members provide direction and support through expert advice to the President and Minister on a broad spectrum of Agency strategy and policy matters. This board includes the ACOA President as chair, and seven other members who are successful entrepreneurs, business professionals and community leaders from each of the four Atlantic provinces. The Governor in Council appoints board members on the recommendation of the Minister.

Agency Organization

ACOA's mandate and organizational structure were determined following consultations with Atlantic Canadians across the region. The result was – for the first time – a federal agency charged with regional economic development in Atlantic Canada being headquartered in the region. The Agency has 36 regional and field offices in cities and towns across the four Atlantic provinces. Consequently, ACOA's funding and policy decisions are made by and for Atlantic Canadians.

The President of ACOA is responsible for the administration of the Agency's operations and its employees. Located in Moncton, New Brunswick, ACOA's Head Office is home to the President's Office, as well as the branches responsible for Policy and Programs, Finance and Corporate Services, Human Resources, Communications and Legal Services. The Senior Vice-President has corporate responsibility for program areas and policies, as well as delivery of the pan-Atlantic projects and initiatives.

Regional vice-presidents located in each provincial capital are responsible for the delivery of ACOA programs. Based in Sydney, Nova Scotia, the Vice-President of ECBC is responsible for delivering ACOA's programs in Cape Breton Island. Through its Ottawa office, ACOA ensures that Atlantic Canada's interests are reflected in both the policies and programs developed by other departments and agencies of the federal government. The Ottawa office, which reports to the Senior Vice-President, also works to ensure Atlantic Canadians are aware of and able to take advantage of the opportunities to provide services and sell products to the Government of Canada.

Key Responsibilities

- Senior Vice-President
  - Policy and programs
  - Regional level co-ordination of priorities and programs
  - Delivery of pan-Atlantic agreements
  - Advocacy and procurement
  - Co-ordination of federal-provincial relations

- Vice-President, Finance and Corporate Services
  - Finance and Administration
  - Corporate Secretariat
  - Corporate Planning and Performance Management
  - Business Intelligence and Chief Information Office Directorate
  - Ministerial Liaison Office
  - Audit (administrative relationship)

- Vice-presidents working in each of the Atlantic provinces
  - Federal-provincial development strategy
  - Delivery of services and programs at provincial and local levels
  - Liaison with provinces, business community and other stakeholders
  - Tourism Atlantic (Vice-President, Prince Edward Island)

Tables and Templates

Financial Overview

The Agency's total authorities were $447.7 million, consisting of: Main Estimates of $437.9 million, augmented through Governor General Special Warrants of $9.1 million, other Treasury Board approved authorities of $0.1 million, and $0.6 million in adjustments to the cost of employee benefit plans. Actual expenditures of $418.7 million resulted in a lapse of $29.0 million.

The $29-million lapse comprises:

- $23.8 million in grants and contributions, including $1.9 million in frozen allotments and $12.6 million under the Infrastructure Canada Program that the Agency expects to re-profile to 2006-2007 or later years (depending on the requirements of the program, which expires March 31, 2009); and
- $5.2 million in operating expenditures, of which $3.9 million is eligible for the operating budget carry-forward provisions.

During the fiscal year, the Agency received authority for new funding totalling $62.9 million, including $46 million announced in Budget 2006 for innovation, $12.8 million for community economic development under the Strategic Community Investment Fund, $3.1 million for incremental funding under the Community Futures Program, and $1.0 million for the government's Ocean Action Plan.

The Agency set aside $58.5 million in frozen allotments due to approval received for re-profiling of grants and contributions funds: $24.5 million from the Atlantic Innovation Fund, $21.0 million from the Saint John Shipyard Adjustment Initiative, and $13.0 million from the Infrastructure Canada Program. In addition, the Agency set aside $6.3 million as a frozen allotment as part of the expenditure reduction exercise. The new funding approved was offset against the frozen allotments, with a balance of $1.9 million remaining frozen.

The financial tables, which follow, show these figures:

- *Main Estimates*: only those authorities in Estimates Part II 2005-2006, which are consistent with those as Main Estimates in the Public Accounts for 2005-2006.
- *Planned Spending*: consistent with the Planned Spending column in the 2005-2006 Report on Plans and Priorities.
- *Total Authorities*: the full spending authorities received during the fiscal year through Main Estimates, Supplementary Estimates and other Treasury Board approvals, and consistent with those in the Public Accounts for 2005-2006.
- *Actual Spending*: consistent with figures in the Public Accounts for 2005-2006.

Table 1: Comparison of Planned to Actual Spending (including FTEs)

This table provides an historical perspective on the use of Agency resources, along with a graph illustrating the trend for actual results.

Program Activity	2003-2004 ($ millions)	2004-2005 ($ millions)	2005-2006 ($ millions)			
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	Total Actuals
Foster SME Development and Regional Economic Capacity Building	259.1	268.5	264.1	289.1	274.8	259.2
Access to Business Information	2.8	3.3	2.8	2.8	2.9	3.1
Community Economic Development	104.4	115.7	75.9	110.9	111.2	111.2
Special Adjustment Measures	20.8	18.1	26.2	23.9	5.7	1.9
Infrastructure Programming	40.8	33.3	52.2	52.2	40.1	30.9
Policy	4.5	4.1	11.0	11.0	6.3	5.8
Advocacy	3.1	5.6	3.9	3.9	3.9	3.1
Co-ordination	2.1	1.7	1.8	1.8	2.8	3.5
Total	437.6	450.3	437.9	495.6	447.7	418.7
Less: Non-respendable revenue	(71.7)	(61.5)	(54.2)	(54.2)	(54.2)	(67.3)
Plus: Cost of services received without charge	7.5	7.1	7.1	7.1	7.1	7.6
Total Agency spending	373.4	395.9	390.8	448.5	400.6	359.0

Full-Time Equivalents (FTEs)	649	646	669	678	678	678

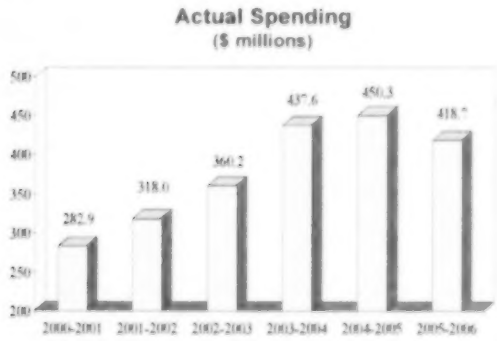


Table 2: Resources by Program Activity

Program Activity	Budgetary 2005-2006 ($ millions) Operating	Grants	Contributions and Other Transfer Payments	Total: Net Budgetary Expenditures
Fostering SME Development and Regional Economic Capacity Building				
Main Estimates	53.6	1.0	209.5	264.1
Planned Spending	*53.6*	*1.0*	*234.5*	*289.1*
Total Authorities	58.9	1.0	214.9	274.8
Actual Spending	*56.1*	*0.6*	*202.5*	*259.2*
Access to Business Information				
Main Estimates	2.8	-	-	2.8
Planned Spending	*2.8*	-	-	*2.8*
Total Authorities	2.9	-	-	2.9
Actual Spending	*3.1*	-	-	*3.1*
Community Economic Development				
Main Estimates	15.7	1.0	59.2	75.9
Planned Spending	*15.7*	*1.0*	*94.2*	*110.9*
Total Authorities	18.1	1.0	92.1	111.2
Actual Spending	*20.2*	*0.2*	*90.8*	*111.2*
Special Adjustment Measures				
Main Estimates	4.2	-	22.0	26.2
Planned Spending	*4.2*	-	*19.7*	*23.9*
Total Authorities	4.2	-	1.4	5.6
Actual Spending	*0.5*	-	*1.4*	*1.9*
Infrastructure Programming				
Main Estimates	1.0	-	51.2	52.2
Planned Spending	*1.0*	-	*51.2*	*52.2*
Total Authorities	2.0	-	38.2	40.2
Actual Spending	*1.8*	-	*29.1*	*30.9*
Policy				
Main Estimates	4.8	-	6.2	11.0
Planned Spending	*4.8*	-	6.2	*11.0*
Total Authorities	4.9	-	1.4	6.3
Actual Spending	*4.4*	-	*1.4*	*5.8*
Advocacy				
Main Estimates	3.9	-	-	3.9
Planned Spending	*3.9*	-	-	*3.9*
Total Authorities	3.9	-	-	3.9
Actual Spending	*3.1*	-	-	*3.1*
Co-ordination				
Main Estimates	1.8	-	-	1.8
Planned Spending	*1.8*	-	-	*1.8*
Total Authorities	2.6	-	0.2	2.8
Actual Spending	*3.3*	-	*0.2*	*3.5*

Table 3: Voted and Statutory Items

This table illustrates the way in which Parliament approved ACOA's resources, and shows the changes in resources derived from supplementary estimates and other authorities, as well as how funds were spent.

Vote or Statutory Item	Truncated Vote or Statutory Wording	2005-2006 ($ millions)			
		Main Estimates	Planned Spending	Total Authorities	Total Actuals
1	Operating expenditures	78.8	78.8	88.0	82.9
5	Grants and Contributions	350.1	407.8	350.1	326.2
(S)	Minister of ACOA - Salary and motor car allowance	0.1	0.1	0.1	0.1
(S)	Contributions to employee benefit plans	8.9	8.9	9.5	9.5
	Total	**437.9**	**495.6**	**447.7**	**418.7**

Table 4: Services Received Without Charge

This table indicates cost of services provided to the Agency by other federal government departments.

	2005-2006 ($ millions)
Accommodations, provided by Public Works and Government Services Canada	3.3
Contributions covering employer's share of employees' insurance premiums and expenditures, paid by Treasury Board of Canada Secretariat (TBS), excluding revolving funds.	3.9
Salary and associated expenditures of legal services, provided by the Department of Justice Canada	0.4
Total	**7.6**

Table 5: Sources of Non-respendable Revenue

Program Activity	2003-2004 ($ millions) Actual	2004-2005 ($ millions) Actual	2005-2006 ($ millions)			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Program Activity: Fostering SME Development and Regional Economic Capacity Building						
- Repayable Contributions	56.4	54.9	53.0	53.0	53.0	59.5
- All Other*	15.3	6.6	1.2	1.2	1.2	7.8
Total	**71.7**	**61.5**	**54.2**	**54.2**	**54.2**	**67.3**

* All Other revenue includes refunds of prior years' expenditures, adjustments to prior years' accruals, return on investment from direct loans, service fees, proceeds from the disposal of Crown assets, interest revenues, and other miscellaneous revenues.

Table 6: Resource Requirements by Branch

2005-2006 ($ millions)									
Program Activity / Branch	Fostering SME Development and Regional Economic Capacity Building	Access to Business Information	Community Economic Development	Special Adjustment Measures	Infrastructure Programming	Policy	Advocacy	Co-ordination	Total
New Brunswick									
Planned Spending	50.4	0.7	19.8	23.0	11.6	0.7	0.6	0.4	**107.2**
Actual Spending	64.9	0.9	26.6	1.3	6.1	0.3	0.4	0.7	**101.2**
Newfoundland and Labrador									
Planned Spending	68.8	0.7	15.9	-	19.9	0.6	0.6	0.7	**107.2**
Actual Spending	61.8	0.6	31.5	0.1	11.8	0.8	0.4	0.8	**107.8**
Nova Scotia									
Planned Spending	64.6	1.0	21.8	0.1	17.3	0.6	0.2	0.5	**106.1**
Actual Spending	52.1	0.8	16.7	0.1	8.1	1.0	0.5	1.2	**80.5**
Prince Edward Island									
Planned Spending	38.3	0.4	1.6	-	2.2	0.2	0.1	0.2	**43.0**
Actual Spending	35.1	0.4	12.4	0.0	1.4	0.3	0.1	0.4	**50.2**
Corporate*									
Planned Spending	67.0	-	51.8	0.8	1.2	8.9	2.4	-	**132.1**
Actual Spending	45.4	0.3	24.0	0.5	3.4	3.3	1.8	0.3	**79.0**

* Includes the Minister's and President's Offices, Human Resources, Finance and Corporate Services branch, and Policy and Programs branch.

Table 7A: User Fees

A. User Fee	Fee Type	Fee-setting Authority	Date Introduced or Last Modified	2005-2006					Planning Years		
				Forecast Revenue ($000)	Actual Revenue ($000)	Full Cost ($000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue ($000)	Estimated Full Cost ($000)
Loan insurance fees	Regulatory	Liabilities for loan or credit insurance, pursuant to the *Government Organization Act, Atlantic Canada 1987*	May 7, 1990	0.0	0.6	0.0	Fees are collected at 1% of the account balance at the beginning of the year.	Fees are collected on account balances as expected.	2006-2007 2007-2008 2008-2009	0.0 0.0 0.0	0.0 0.0 0.0
Fees for processing access requests made under the *Access to Information Act*	Other products and services	*Access to Information Act*	1992	0.0	0.4	419.4	Response is to be provided within 30 days of receipt of the request. The response time may be extended, pursuant to section 9 of the Act. Notice of an extension is to be provided within 30 days of receipt of the request. The *Access to Information Act* provides further details http://laws.justice.gc.ca/en/A-1/index.html	The 30-day standard was met 4.4% of the time. Overall response standard (including extensions) was achieved 26.7% of the time.	2006-2007 2007-2008 2008-2009	3.6 3.6 3.6	452 456 461

B. Circumstances surrounding fees introduced or last modified during the 2005-2006 fiscal year.
Not applicable

C. Other Information

Loan insurance fees:

- Beginning in 2006-2007, forecast revenue is nil, as the program was discontinued and there are no outstanding loan balances to be insured.

Table 7B: Policy on Service Standards for External Fees

A. External Fee	Service Standard	Performance Result	Stakeholder Consultation
Fees for processing access requests made under the *Access to Information Act*	Response is to be provided within 30 days of receipt of the request. The response time may be extended, pursuant to section 9 of the Act. Notice of an extension is to be provided within 30 days of receipt of the request. The *Access to Information Act* provides further details http://laws.justice.gc.ca/en/A-1/index.html	The 30-day standard was met 4.4% of the time. Overall response standard (including extensions) was achieved 26.7% of the time.	The service standard is established by the *Access to Information Act* and the Access to Information Regulations. For amendments done in 1986 and 1992, consultations with stakeholders were undertaken by the Department of Justice and the Treasury Board Secretariat.
B. Other Information Loan insurance fees: • Beginning in 2006-2007, forecast revenue is nil, as the program was discontinued and there are no outstanding loan balances to be insured.			

Table 8: Details on Transfer Payments Programs

Transfer Payments Programs that exceed $5 million actual spending in 2005-2006:

1. Atlantic Innovation Fund
2. Business Development Program
3. Community Futures Program
4. Infrastructure Canada Program
5. Innovative Communities Fund
6. Strategic Community Investment Fund

Supplementary information on these Transfer Payments Programs can be found at ACOA, http://www.acoa-apeca.gc.ca/f/library/reports/performance2006/index.shtml or at Treasury Board of Canada Secretariat, http://www.tbs-sct.gc.ca/est-pre/estime.asp

Table 9: Horizontal Initiatives

Initiatives for which ACOA acts as the Lead Agency:

1. Atlantic Canada Tourism Partnership (ACTP)
   http://www.actp-ptca.ca/

2. International Business Development Program (IBDP)
   http://www.acoa-apeca.gc.ca/e/ibda/index.shtml

3. Team Canada Atlantic (TCA)
   http://www.teamcanadaatlantic.ca/

Other Horizontal Initiatives on which ACOA acts as a partner:

1. Canadian Rural Partnership
   Partnership: http://rural.gc.ca/home_e.phtml
   Treasury Board: http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp

2. Team Canada Inc. (TCI)
   TCI: http://www.pch.gc.ca/progs/ac-ca/progs/rc-tr/progs/canada-inc/index_e.cfm
   Treasury Board: http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp

3. Infrastructure Canada Program (ICP)
4. Canada Strategic Infrastructure Fund (CSIF)
5. Municipal Rural Infrastructure Fund (MRIF)
   Infrastructure Canada: http://www.infrastructure.gc.ca/funding/index_e.shtml
   Treasury Board: http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp

6. Enhanced Representation Initiative (ERI)
   ERI: http://webapps.dfait-maeci.gc.ca/minpub/Publication.asp?publication_id=380348&Language=E
   Treasury Board: http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp

7. Canadian Agriculture and Food International (CAFI) Program
   CAFI: http://www.agr.gc.ca/int/cafi-picaa/index_e.php?page=intro

8. Canada Business Service Centres (CBSCs)
   CBSCs: http://www.cbsc.org/
   Treasury Board: http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp

9. Aboriginal Economic Development

Supplementary information on Horizontal Initiatives can be found at ACOA, http://www.acoa-apeca.gc.ca/e/library/reports/performance2006/index.shtml and at Treasury Board of Canada Secretariat, http://www.tbs-sct.gc.ca/est-pre/estime.asp

Table 10: Financial Statements

Financial statements are prepared in accordance with accrual accounting principles. The unaudited supplementary information presented in the financial tables in this report is prepared on a modified cash basis of accounting, in order to be consistent with appropriations-based reporting. Note 3 (a) in the financial statements reconciles these two accounting methods.

ATLANTIC CANADA OPPORTUNITIES AGENCY
Management Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006 and all information contained in these statements rests with the Agency's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*. The system also ensures that transactions are executed in accordance with prescribed regulations, within parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Agency.

The financial statements of the Agency have not been audited.

Monique Collette
Deputy Head

Sherril Mings
Senior Financial Officer

Moncton, Canada

AUG 14 2006

Date

ATLANTIC CANADA OPPORTUNITIES AGENCY
Statement of Operations (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

EXPENSES (Note 4)	**2006**	**2005**
Foster SME Development and Growth (Access to Capital)	**251,768**	222,622
Community Economic Development	**111,768**	113,092
Infrastructure Programming	**34,512**	33,979
Policy and Research	**6,670**	4,219
Co-ordination	**3,682**	1,733
Special Response Measures	**3,786**	18,491
Advocacy	**3,544**	5,699
Access to Information	**3,406**	3,320
Total Expenses	**419,136**	403,155
REVENUES (Note 5)		
Foster SME Development and Growth (Access to Capital)	**14,629**	15,466
Community Economic Development	**10**	3
Access to Information	**6**	
Total Revenues	**14,645**	15,469
Net cost of operations	**404,491**	387,686

ATLANTIC CANADA OPPORTUNITIES AGENCY
Statement of Financial Position (*Unaudited*)
At March 31
(in thousands of dollars)

ASSETS	2006	2005
Financial assets		
Accounts receivable and advances (Note 6)	**2,250**	8,051
Loans (Note 7)	**238,919**	266,613
Total financial assets	**241,169**	274,664
Non-financial assets		
Prepaid expenses	**20,544**	30,272
Tangible capital assets (Note 8)	**666**	984
Total non-financial assets	**21,210**	31,256
TOTAL	**262,379**	305,920
LIABILITIES		
Liabilities		
Accounts payable and accrued liabilities (Note 9)	**82,644**	88,816
Vacation pay and compensatory leave	**2,203**	1,268
Other liabilities (Note 10)	**410**	678
Employee severance benefits (Note 11)	**10,427**	8,671
Total liabilities	**95,684**	99,433
Equity of Canada	**166,695**	206,487
TOTAL	**262,379**	305,920

Contingencies (Note 12)

Contractual obligations (Note 13)

The accompanying notes form an integral part of these financial statements.

ATLANTIC CANADA OPPORTUNITIES AGENCY
Statement of Equity of Canada (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2006	2005
Equity of Canada, beginning of year	**206,487**	196,504
Net cost of operations	**(404,491)**	(387,686)
Current year appropriations used (Note 3)	**418,740**	450,305
Revenue not available for spending	**(14,645)**	(15,469)
Change in net position in the Consolidated Revenue Fund (Note 3c)	**(46,607)**	(43,975)
Services received without charge from other government departments (Note 14)	**7,211**	6,808
Equity of Canada, end of year	**166,695**	206,487

The accompanying notes form an integral part of these financial statements.

ATLANTIC CANADA OPPORTUNITIES AGENCY
Statement of Cash Flow (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2006	2005
OPERATING ACTIVITIES		
Net cost of operations	404,491	387,686
Non-cash items:		
Amortization of tangible capital assets	(417)	(563)
Amortization of unamortized discount on assistance loans	14,125	15,080
Gain on disposal and write-down of tangible capital assets	9	14
Provision for impaired loans and accounts receivable	(31,867)	(5,327)
Loan discount portion on assistance loans	(4,925)	(20,139)
Services provided without charge	(7,211)	(6,808)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and prepaid operating expenses	(429)	1,375
(Increase) decrease in liabilities	3,748	2,632
Allowance for Newfoundland and Labrador Development Corporation Loans		20
Allowance for severance benefits		(113)
Increase (decrease) in loans	(10,392)	6,840
Increase (decrease) in prepaid transfer payments	(9,735)	9,693
Cash used by operating activities	357,397	390,390
Capital investment activities		
Acquisition of tangible capital assets	104	484
Proceeds from disposal of tangible capital assets	(13)	(14)
Cash used by capital investment activities	91	470
Financing activities		
Net cash provided by Government of Canada	357,488	390,860

The accompanying notes form an integral part of these financial statements.

1. Authority and Objectives

The Atlantic Canada Opportunities Agency operates under the authority from Part I of the *Government Organization Act, Atlantic Canada, 1987, R.S., c G-5-7,* otherwise known as the *Atlantic Canada Opportunities Agency Act.*

The Agency's mandate is to increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region. The Agency delivers its mandate under eight program lines.

Foster SME Development and Growth (Access to Capital)
Assistance to improve the climate for business growth and/or to SMEs (small and medium-sized enterprises) to help them start, expand or modernize their businesses.

Access to Information
Providing counselling, mentoring and information referrals to Atlantic Canadians.

Community Economic Development
Projects that help communities build their capacity and confidence in order to identify and co-ordinate the implementation of priorities for economic development in their region.

Infrastructure Programming
Programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada.

Policy and Research
Carrying out policy analysis and research to determine the areas in which the Agency will act to most effectively carry its mandate.

Co-ordination
Engaging economic partners in addressing the Atlantic region's strategic economic priorities.

Special Response Measures
Supports short-term adjustment initiatives designed to address the specific economic adjustment needs of Atlantic Canadian communities.

Advocacy
Advocating the interests of Atlantic Canada to make new government initiatives more responsive to the needs of Atlantic Canada.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows.

(a) Parliamentary appropriations

The Agency is financed by the Government of Canada through parliamentary appropriations. Appropriations provided to the Agency do not parallel financial reporting according to generally accepted accounting principles, since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Net cash provided by Government

The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund (CRF)

This amount is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the Agency. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Expenses - Expenses are recorded on the accrual basis:

- Grants and non-repayable contributions are recognized in the year in which the conditions for payment are met.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, workers' compensation, and legal services are recorded as operating expenses at their estimated cost.

(e) Revenues

These are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues, except for the item listed below.

- Loans are non-interest bearing and due to the uncertainty as to ultimate collection, interest income is only charged on overdue amounts and is recorded when received.

(f) Employee future benefits

Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The Agency's contributions to the Plan are charged to expenses in the year incurred and represent the total Agency's obligation to the Plan. Current legislation does not require the Agency to make contributions for any actuarial deficiencies of the Plan.

Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Repayable contributions are contributions where the recipient is expected to repay the amount advanced. Depending on their nature, they are classified as either unconditionally repayable or conditionally repayable, and are accounted for differently.

Unconditionally repayable contributions are contributions that must be repaid without qualification. Normally, these contributions are provided with no interest clause. Due to their concessionary nature, they are recorded on the Statement of Financial Position as loans at their estimated present value. A portion of the unamortized discount is brought into income each year to reflect the change in the present value of the contributions outstanding. An estimated allowance for uncollectibility is also recorded where appropriate.

Conditionally repayable contributions are contributions that, all or part of which, become repayable if conditions specified in the contribution agreement come into effect. Accordingly, they are not recorded on the Statement of Financial Position until such time as the conditions specified in the agreement are satisfied; at this time, they are recorded as a receivable and a reduction in transfer payment expenses. An estimated allowance for uncollectibility is recorded where appropriate.

Collections on Repayable Contributions amounted to $59,508,903 in fiscal year 2005-2006 ($54,924,350 in fiscal year 2004-2005).

(h) Allowance for impaired loans and accounts receivable

Loans and accounts receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and, where applicable, interest. A specific allowance is established to reduce

the recorded value of the loan to its estimated net realizable value. For assistance loans, which are granted with a zero interest rate, impairment is calculated based on the assistance loans amount, net of the unamortized discount on assistance loans.

The Agency has written off $13,986,310 in fiscal year 2005-2006 ($12,601,557, in fiscal year 2004-2005) for accounts deemed uncollectible and where all possible avenues of collection have been exhausted. The write-off of a Crown debt is a bookkeeping action only and does not eliminate the obligation of a debtor to make payment and does not affect the right of the Crown to enforce collections.

(i) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(j) Tangible capital assets

All tangible capital assets having an initial cost of $10,000 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Vehicles	5 years
Computer equipment	3 years
Software developed	5 years
Machinery and equipment	15 years

(k) Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits, unamortized discount on assistance loans and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Agency receives most of its funding through annual parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables.

(a) Reconciliation of net cost of operations to current year appropriations used

	2006	2005
	(in thousands of dollars)	
Net Cost of Operations	**404,491**	387,686
Adjustments for items affecting net cost of operations, but not affecting appropriations:		
Add (Less):		
Services provided without charge	**(7,211)**	(6,808)
Amortization of tangible assets	**(417)**	(563)
Prepaid expenses recognized	**(29,048)**	(19,761)
Conditions met on contributions	**7,536**	2,224
Justice Canada Fees	**(368)**	(267)
Loan discount portion on assistance loans	**(4,925)**	(20,139)
Vacation pay and compensatory leave	**(929)**	2,255
Provision for impaired loans and accounts receivable	**(31,867)**	(5,327)
Adjustments to prior year's accruals	**1,046**	3,376
Employees severance pay benefits	**(1,756)**	(113)
Other adjustments	**7**	167
Transfer of repayable contribution to non-repayable	**(5,845)**	
	(73,777)	(44,956)
Revenue not available for spending	**14,645**	15,469
Adjustments for items not affecting net cost of operations, but affecting appropriations		
Add (Less):		
Assistance loans	**52,757**	61,368
Prepaid expenses	**20,520**	30,254
Acquisitions of tangible capital assets	**104**	484
	73,381	92,106
Current year appropriations used	**418,740**	450,305

(b) Appropriations provided and used

	Appropriations Provided	
	2006	**2005**
	(in thousands of dollars)	
Vote 1 - Operating expenditure	**88,014**	82,128
Vote 5 - Grants and contributions	**350,119**	385,737
Statutory amounts	**9,573**	8,473
Less:		
Lapsed appropriations - Operating	**(28,962)**	(26,024)
Appropriations available for future years	**(4)**	(9)
Current year appropriations used	**418,740**	450,305

(c) Reconciliation of net cash provided by Government to current year appropriations used

	2006	**2005**
	(in thousands of dollars)	
Net cash provided by Government	**357,488**	390,860
Revenue not available for spending	**14,645**	15,469
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	**20,464**	(18,378)
Variation in accounts payable and accrued liabilities	**(3,748)**	(2,632)
Other adjustments	**29,891**	64,986
	46,607	43,976
Current year appropriations used	**418,740**	450,305

4. Expenses

The following table presents details of expenses by category.

	2006	2005
	(in thousands of dollars)	
Transfer payments		
Conditionally repayable		
Individuals	**976**	1,715
Industry	**39,231**	37,171
Other levels of government		47
	40,207	38,933
Conditions met	**(7,536)**	(2,224)
	32,671	36,709
Non-repayable		
Individuals	**10,928**	9,712
Industry	**11,337**	8,180
Non-profit organizations	**166,969**	176,017
Other levels of government	**58,430**	58,660
	280,335	252,569
Adjustments to prior year's accruals	**(938)**	(3,178)
Loan discount portion on assistance loans	**4,925**	20,139
Provision for impaired loans and accounts receivable	**31,867**	5,327
Total transfers payments	**316,189**	311,566
Operating		
Personnel	**72,825**	59,404
Professional services	**16,211**	18,622
Transportation and telecommunications	**7,505**	6,865
Rental	**1,522**	1,474
Equipment (less than $10,000 per item)	**1,513**	1,686
Information	**1,472**	1,585
Utilities, material and supplies	**864**	779
Purchased, repair and maintenance	**511**	460
Amortization of tangible capital assets	**417**	563
Miscellaneous expenses	**107**	151
Total operating expenses	**102,947**	91,589
Total Expenses	**419,136**	403,155

5. Revenues

The following table presents details of revenues by category.

	2006	2005
	(in thousands of dollars)	
Revenue from amortization of discount on assistance loans	**14,125**	15,080
Interest on overdue loans	**465**	272
Return on investments on loans under Special Areas and Highway Agreements	**21**	81
Gain on disposal of capital assets	**9**	15
Other revenues	**25**	21
Total revenues	**14,645**	15,469

Return on investment represents interest earned on loans that were made under the Special Areas and Highways Agreement.

6. Accounts Receivable and Advances

The following table presents details of accounts receivable.

	2006	2005
	(in thousands of dollars)	
Accounts receivable from contributions		
Conditionally repayable conditions met	**3**	7
Defaulted conditionally repayable contributions	**7,200**	2,551
Defaulted non-repayable contributions	**377**	267
Overpayments to be recovered	**140**	147
	7,720	2,972
Less: allowance for impaired accounts receivable	**(7,515)**	(2,851)
	205	121
Accounts receivable from other federal government departments and agencies	**386**	1,068
Other accounts receivable	**1,647**	6,853
Employee advances	**12**	9
Total	**2,250**	8,051

7. Loans

	2006	2005
	(in thousands of dollars)	
Assistance loans	375,278	398,400
Less: Unamortized discount on assistance loans	(36,849)	(46,049)
	338,429	352,351
Less: Allowance for impaired assistance loans	(99,510)	(86,034)
	238,919	266,317
Provincial and territorial governments for regional and industrial development	457	753
Less: Allowance for Newfoundland and Labrador Development Corporation Loans	(457)	(457)
Total	238,919	266,613

The provincial and territorial governments for regional and industrial development loans originated from the Newfoundland and Labrador Development Corporation Limited (NLDC), of which Canada owned 40 per cent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accepts these NLDC loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administrated by the Agency. The NLDC loans bore interest at rates from 10% to 17% per annum and were repayable at various due dates. A decision has been made to recommend that the balance of the NLDC portfolio be written off.

8. Tangible Capital Assets

(in thousands of dollars)

	Vehicles	Computer equipment	Software developed	Machinery and equipment	Total
Cost					
Opening balance	709	1,301	1,400	88	3,498
Acquisitions	104				104
Disposals	(105)				(105)
Closing balance	708	1,301	1,400	88	3,497
Accumulated amortization					
Opening balance	(343)	(1,276)	(896)		(2,515)
Amortization	(107)	(24)	(280)	(6)	(417)
Disposals	101				101
Closing balance	(349)	(1,300)	(1,176)	(6)	(2,831)
2006 Net book value	359	1	**224**	**82**	**666**
2005 Net book value	367	25	504	88	984

Amortization expense for the year ended March 31, 2006 is $417 ($563 in 2005).

9. Accounts Payable and Accrued Liabilities

The following table presents details of accounts payable and accrued liabilities by category.

	2006	2005
	(in thousands of dollars)	
Regular Accounts Payable	**(33,848)**	(40,667)
Accrued Salaries and Wages	**(2,052)**	(2,480)
Accrued Liabilities - payable at year-end (PAYE)	**(43,301)**	(43,634)
Other payables to other government departments	**(1,412)**	(1,553)
Contractors holdback	**(2,017)**	(461)
Other payables	**(14)**	(21)
Total	**(82,644)**	(88,816)

10. Other Liabilities

The Agency records deposits from non-federal partners for their share of costs under various projects. Monies are distributed on behalf of contributions as projects are undertaken. Unused funds are to be returned to contributors. Activity during the year is as follows.

	2006	2005
	(in thousands of dollars)	
Opening liability	**678**	1,241
Deposits	**273**	311
Payments	**(541)**	(874)
Closing Liability	**410**	678

11. Employee Benefits

(a) Pension benefits

The Agency's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 per cent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the Agency contribute to the cost of the Plan. The 2005-2006 expense amounts to $7,017,769 ($6,035,229 in 2004-2005), which represents approximately 2.6 times the contributions by employees.

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows.

	2006	2005
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	8,671	8,558
Expense for the year	2,425	446
Benefits paid during the year	(669)	(333)
Accrued benefit obligation, end of year	10,427	8,671

12. Contingencies

(a) Claims and litigation

Claims have been made against the Agency in the normal course of operations. Legal proceedings for claims totalling approximately $10,802,858 (as in 2005) were still pending at March 31, 2006. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

(b) Potential recoveries of contributions

As at March 31, 2006, potential recoveries of conditionally repayable contributions were estimated at $10,007,966 ($8,323,984 in 2004-2005). Revenues will be recognized in the year that the conditions are met.

13. Contractual Obligations

The nature of the Agency's activities can result in some large multi-year contracts and obligations whereby the Agency will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows.

(in thousands of dollars)

	2007	2008	2009	2010	Total
Transfer payments	214,305	67,141	24,833	200	306,479
Loans and advances	35,067	2,604	163	-	37,834
Operating and maintenance	9,933	561	25	-	10,519
	259,305	**70,306**	**25,021**	**200**	**354,832**

14. Related Party Transactions

The Agency is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Agency received services that were obtained without charge from other government departments as presented in part (a).

(a) Services provided without charge

During the year, the Agency received services without charge from other departments for accommodation, the employer's contribution to the health and dental insurance plans, workers' compensation and legal services. These services without charge have been recognized in the Agency's Statement of Operations as follows.

	2006	2005
	(in thousands of dollars)	
Accommodation provided by Public Works and Government Services Canada	3,284	3,288
Employer's contribution to the health and dental insurance plans	3,913	3,507
Workers' compensation coverage provided by Human Resources Development Canada	6	8
Legal services provided by Justice Canada	8	5
Total	7, 211	6,808

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the Agency's Statement of Operations.

(b) Payables and receivables outstanding at year-end with related parties

	2006	2005
	(in thousands of dollars)	
Accounts receivable with other government departments and agencies	**386**	1,068
Accounts payable to other government departments and agencies	**1,412**	1,553

Table 11: Response to Parliamentary Committees, Audits and Evaluations

Response to Parliamentary Committees

No Parliamentary Committee recommendations were received for 2005-2006.

Response to the Auditor General (including the Commissioner of the Environment and Sustainable Development)

Report of the Commissioner of the Environment and Sustainable Development

Chapter 7 (Sustainable Development Strategies)
The commissioner assessed the quality of ACOA's 2004 Sustainable Development Strategy (SDS). Eight assessment criteria were applied, and ACOA either met expectations fully or to some degree, for seven of the eight criteria. The outstanding recommendation stated:

- ACOA's SDS must clearly identify which plans and strategies support ACOA's advance toward sustainable development, and the role SDS plays relative to these plans.

ACOA officials have obtained guidance from the commissioner and have initiated corrective action in order to improve the Agency's performance in several criteria.

Chapter 8 (Environmental Petitions)
The commissioner reported on the Agency's response to environmental petitions, and indicated whether the Agency met the deadline. The Agency dealt with one petition during the review period and has improved its process in order to respond to petitions more efficiently and effectively.

More information on ACOA's Sustainable Development Strategy may be found at http://www.acoa-apeca.gc.ca/e/sustain/index.shtml

External Audits

Public Service Commission of Canada
Audit of Student Programs:

- Co-operative Education Program (COOP)
- Federal Student Work Experience Program (FSWEP)
- Student Bridging

by the Public Service Commission of Canada (PSC), 2006
- awaiting issuance of final report by PSC

Office of the Commissioner of Official Languages
No audits were performed during fiscal year 2005-2006.

Internal Audits

Completed
Compliance audits:
- Infrastructure Canada Program
- Saint John Shipyard Adjustment Initiative (Shipyard Redevelopment Program and Industrial Diversification Program)
- Community Futures Program and Youth Seed ConneXion Program
- Active Classification Monitoring Policy

Program Management audits - follow-up engagements:
- Atlantic Innovation Fund
- Strategic Community Investment Fund

Ongoing
Compliance audits:
- Canada/Newfoundland and Labrador Economic Development
- Audit of Contracting
- Quality Assurance Audits

Rescheduled to 2006-2007 due to resource-related issues
Comprehensive audits:
- Service Quality Initiative
- Provisionally Repayables (merged into G&C Payment Systems Audit)

Rescheduled to 2008-2009 to allow for experience with, and refinement of, the Integrated Risk Framework
Comprehensive audit:
- Integrated Risk Management

Removed from Audit Plan due to the low risk
Compliance audit:
- Atlantic Trade Investment Partnership

Further information on audit and evaluation reports and, where applicable, their corresponding Management Action Plans, is available on ACOA's website at http://www.acoa-apeca.gc.ca/e/library/audit.shtml

Internal Evaluations

Summative Evaluation of the Atlantic Policy Research Initiative
by Goss Gilroy Inc., April 2005

Formative Evaluation of the Consulting Advisory Services Program
by R.A. Malatest & Associates Ltd. and Dr. Donald Savoie, Canadian Institute for Research on Regional Development, December 2005

Summative Evaluation of the Regional Economic Development Agreement, Federal Government of Canada and the Government of New Brunswick (REDA)
by TDV Global Inc., January 2006

Summative Evaluation of Atlantic Canada Cultural and Economic Partnership (ACCEP)
by Hickling Arthurs Low, March 2006

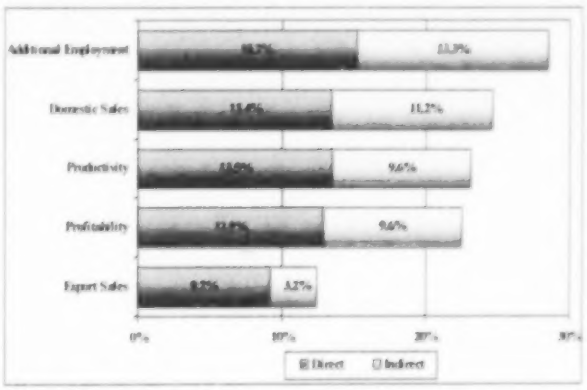
Final Evaluation of the 2003-2006 Atlantic Canada Tourism Partnership
by Laurel Reid, Ph.D., Tourism Synergy Ltd., in partnership with Rod Cunningham, MacKellar, Cunningham and Associates, Ltd. and Stephen Smith, Ph.D., March 2006

Further information on audit and evaluation reports and, where applicable, their corresponding Management Action Plans, is available on ACOA's website at http://www.acoa-apeca.gc.ca/e/library/audit.shtml

The Agency's Review Committee, chaired by the President, meets regularly to set the Agency's three-year review plan, and to review audit and evaluation reports and the corresponding Management Action Plans (MAP). MAPs document management's response to recommendations in the audit and evaluation reports, and detail the action plan created to implement corresponding improvements to the Agency's activities. Periodic reports that measure the implementation of the MAPs are also presented to the Review Committee in order to ensure follow-up on audits and evaluations.

In 2005-2006, over 80% of planned audit and evaluation activities were completed or in process. Remaining activities were rescheduled to future years. This was often the case for evaluations where determining the impact of the programs, such as the Atlantic Innovation Fund and the Atlantic Trade and Investment Partnership, is long term in nature, thus making it difficult to measure the effectiveness of the programs at the earlier stage. The evaluations for the Innovation Skills Development Initiative, Women in Business Initiative, Young Entrepreneur Development Initiative and the Strategic Community Investment Fund were delayed due the recent completion of formative evaluations in 2004-2005. The Provisionally Repayables audit and evaluation will be considered in other program evaluations, in terms of cost-effectiveness.

Impact of Consulting Services[42]



The evaluation of the Consulting Advisory Services (CAS) Program found that the program is effective in meeting its expected short-term outcomes of increasing employment, profitability and sales. Approximately 25% of clients reported improvements in employment, sales, productivity and/or profitability as a result of the CAS study.

Evaluation findings of the Regional Economic Development Agreement (REDA) and the Atlantic Canada Cultural

[42] *Formative Evaluation of the Consulting Advisory Services Program*, R.A. Malatest & Associates Ltd. and Dr. Donald Savoie, Canadian Institute for Research on Regional Development, December 2005.

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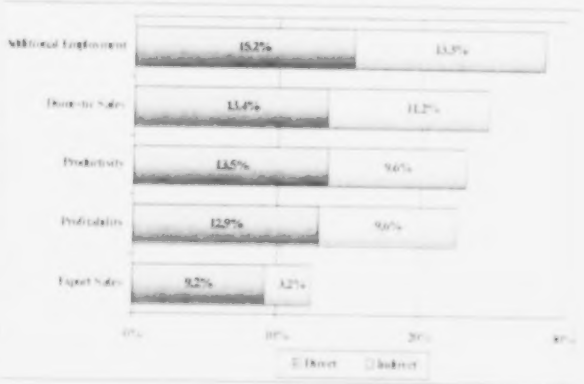

Evaluation findings of the Regional Economic Development Agreement (REDA) and the Atlantic Canada Cultural

[42] *Formative Evaluation of the Consulting Advisory Services Program*, R.A. Malatest & Associates Ltd. and Dr. Donald Savoie, Canadian Institute for Research on Regional Development, December 2005.

and Economic Partnership (ACCEP) showed the importance of sound results-based management and accountability frameworks and their implementation in order to facilitate the measurement of the impacts of these types of partnerships. Although these two programs have expired, the conclusions and recommendations from the evaluations will be considered for new partnerships with Provinces and other federal government departments to ensure that partners have guidance on reporting, accountability, transparency and protecting the public interest.

Further information on audit and evaluation reports and their corresponding Management Action Plans is available on ACOA's website at http://www.acoa-apeca.gc.ca/e/library/audit.shtml.

Table 12: Sustainable Development Strategies

Topics to address	ACOA's Response
1. What are the key goals, objectives, and/or long-term targets of the SDS?	ACOA's goals are to: • support Atlantic businesses and communities; • build awareness of Sustainable Development (SD) and promote/support eco-efficiency in Atlantic Canada; • build capacity in environmental technologies; and • set an example through its own operations. The long-term target is to develop more competitive, resource-efficient and sustainable businesses in Atlantic Canada, while protecting the environment and well-being of its citizens.
2. How do your key goals, objectives and/or long-term targets help achieve your department's/agencies' strategic outcomes?	ACOA's SD goals are tied to its mandate and strategic priorities, integrating its economic focus with the environmental and social aspects of SD. Promoting eco-efficiency, helping environmental technologies, and improving infrastructure in communities all contribute to a thriving Atlantic Canadian economy and prosperous communities.
3. What were your targets for the reporting period?	• Under the Business Development Program and International Business Development Program, support environmental industries and associations. • Support for workshops, training sessions and consultant follow-up on sustainable tourism. • Support SMEs in projects to reduce pollution and recycle materials. • Work in partnership with other federal departments on initiatives that contribute to sustainable development in the region. • Work in partnership with provincial and municipal governments and other delivery agencies to support infrastructure projects.
4. What is your progress to date? (This includes outcomes achieved in relation to objectives and progress on targets.)	In collaboration with Environment Canada, Industry Canada and the National Research Council's Industrial Research Assistance Program, ACOA held two meetings with stakeholders in June (Halifax) and July (Fredericton) 2005. There was a high level of interest in a model to promote environmental technology innovation in Atlantic Canada. On August 25, 2005, ACOA received the final report from Aegis Management Consulting Group on a model to foster greater environmental technology innovation and commercialization in Atlantic Canada. In co-operation with Environment Canada and Industry Canada, ACOA invited representatives of Sustainable Development Technology Canada (SDTC) to three cities in Atlantic Canada (Halifax, Fredericton and St. John's) during August 2005, to discuss SDTC's new call for proposals for clean water and clean soil technologies. Over the 2005-2006 period, ACOA supported 25 environmental industry projects with $6.3 million in funding toward total project costs of $13.3 million.

Topics to address	ACOA's Response
	ACOA provided $85,000 in support to the International Conference on Governance in Sustainability, followed by joint assistance of $26,000 from ACOA and Environment Canada for a follow-up workshop with Atlantic participants. ACOA and Environment Canada also partnered on two series of workshops, one with the Canadian Association of Metal Finishers and one with the Atlantic Wineries and Breweries, both to promote eco-efficiency in their sectors. In partnership with provincial and municipal governments and other delivery agencies, ACOA supported 69 infrastructure projects with $17.4 million in funding toward total project costs of $64.4 million.
5. What adjustments have you made, if any? (To better set the context for this information, discuss how lessons learned have influenced your adjustments.)	Tracking ACOA's progress against its commitments has become increasing difficult as the Agency's project tracking software does not include any mandatory coding to designate projects as being sustainable development. While manual reports can be generated, they are not as efficient as software-generated reports. Discussions are being held to rectify this problem. ACOA has made a concerted effort to partner on many projects in the region, especially with respect to promotion and awareness of sustainable development and the national program funding available. This has proven successful, and the Agency will be seeking further opportunities to capitalize on the federal presence in Atlantic Canada.

Table 13: Procurement and Contracting

Topics to Address	ACOA's Response
1. Role played by procurement and contracting in delivering programs	Procurement and contracting allows ACOA to achieve operational requirements, and plays a central role in the program delivery of the Agency.
2. Overview of how the department manages its contracting function	The Agency operates in a decentralized environment, with procurement personnel at head office and in the four regional offices. Sole source contracts valued at up to $10,000 are approved at the vice-president level. The President approves all sole source contracts between $10,000 and $25,000. The responsible delegated authority at the manager level approves competitive contracts. All contracts over the NAFTA threshold are processed through PWGSC. The Agency posts all contracts over $10,000 on its website, as per the federal government Proactive Disclosure requirement. During calendar year 2005, ACOA awarded 2,450 contracts valued at approximately $4,290,000. As promoted in the Way Forward Strategy, the Agency made extensive use of Standing Offers by awarding 1,100 call-ups against standing offers at an approximate value of $7,760,000.
3. Progress and new initiatives enabling effective and efficient procurement practices	ACOA exceeded its targets for Aboriginal procurements. The Agency implemented and delivered training on procurement of goods and services to responsibility managers across the Agency.

Table 14: Service Improvement

Although the Government of Canada's Service Improvement Initiative[43] terminated last year, the Agency continues with its overall client service agenda. A third corporate client survey was initiated in 2005-2006. This survey is based on the Common Measurement Tool process and includes overall satisfaction ratings associated with some of the Agency's new programming activities. Results will be available in 2006-2007.

Other activities in 2005-2006 included revisiting the service improvement plan for relevancy. As the Agency repositions itself to reflect changing economic circumstances, pressures and strategic directions, the plan will be continually adjusted to meet client priorities. In addition, regular client surveys were conducted following trade missions in order to measure success and determine areas for improvement. As a result of survey feedback, an increased emphasis has been placed on aftercare and follow-up for firms trading in foreign markets.

Table 15: Travel Policies

The Atlantic Canada Opportunities Agency follows the Treasury Board of Canada Secretariat's Special Travel Authorities, as well as the Travel Directive, Rates and Allowances.

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[43] Results of the first two client surveys in 2001-2002 and 2003-2004 indicated positive overall satisfaction rates at just above 80%. These surveys may be found on the Agency's web site at http://www.acoa-apeca.gc.ca/e/about/service/index.shtml.

Section IV – Other Items of Interest

Provincial Economic Challenges[44]

Newfoundland and Labrador

The Newfoundland and Labrador economy grew by 0.2% in 2005, an improvement over the 1.6% decline in 2004. Output in the goods-producing industries fell by 1.8% in 2005, while activity in the service-producing industries increased by 0.7%. In the goods-producing industries, production declines were registered in the fishing, manufacturing, and oil and gas industries.

The fishing industry had a difficult year, with output falling 13%. Protests over snow crab quotas delayed the season, and tariffs on shrimp exports to the European Union contributed to the industry's continuing problems.

Iron ore mining, hampered by labour unrest the year before, rebounded in 2005. In addition, production began at the Voisey's Bay nickel mine in 2005. Production problems plagued the oil and gas industry, and oil production was down at both the Hibernia and Terra Nova sites.

The financial circumstances of the Government of Newfoundland and Labrador improved significantly during 2005-2006, largely due to stable federal transfers, significant gains in own-source revenues, and the protection of the Atlantic Accord. The continued high value of oil should help maintain economic growth and a strong fiscal position for the provincial government.

Meanwhile, the province faces challenges in the pulp and paper industry, with the permanent shutdown of Abitibi's newsprint mill in Stephenville, and cost issues identified with Corner Brook Pulp and Paper Limited's operation. The Stephenville mill closure will reduce annual newsprint capacity by 194,000 tonnes, with a loss (including spin-off activity) of about 900 full-year-equivalent positions, $37 million in employment income, and $110 million in GDP.

The province continues to experience population losses with a decline of 3,865 persons from April 2005 to April 2006. Out-migration continues to be high, particularly from rural areas that have a significant reliance on the troubled fishery.

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[44] Statistical data presented in this section are from the following sources:
Statistics Canada – Gross Domestic Product, *Provincial and Territorial Economic Accounts Review*, #13-016-XIE, 2006;
Statistics Canada – Labour Market, *Labour Force Historical Review*, #71F004XCB, 2006.

Prince Edward Island

Following growth of 2.1% in 2004, the Prince Edward Island economy increased by 1.9% in 2005. Output in the service-producing industries increased by 2.9%, supported by growth in the transportation and retail and wholesale trade industries. Activity in the goods-producing industries fell by 0.9%, due to weakness in the fishing and agriculture sectors. Crop production declined as the potato harvest fell by almost 15%, due to a producer-supported strategy of acreage reduction.

The manufacturing industry registered a solid 3.2% gain in output in 2005. Aerospace producers and shipbuilding contributed to a further expansion in the transportation equipment industries. The processing of fish products advanced sharply as more of the catch was processed in the province.

Through key partnerships with the provincial government, other federal departments and agencies, institutions of higher education, community-based organizations and PEI businesses, progress was made in a number of vital areas in economic development. Strategies were strengthened in key economic clusters such as bio-science, aerospace, information and communications technologies, and alternative and wind energy. Co-operative efforts in labour market development and immigration policy were advanced. Key learning and research initiatives were conducted with Holland College and the University of Prince Edward Island. Federal-provincial successes were best demonstrated by the Umbrella Governance Framework, the federal-provincial agreement on infrastructure. Other areas of progress in terms of strategic planning and institutional focus include innovation, trade, investment and tourism.

Nova Scotia

The Nova Scotia economy grew by 1.5% in 2005, similar to the 1.4% increase in 2004. Output in the goods-producing industries registered a slight gain of 0.1%, with increases in mining and manufacturing offset by weaknesses in fishing, forestry and construction. Fishing experienced a decline of 11%, due to a reduction in crab quotas and a delay to the start of the lobster fishery.

The service-producing industries registered growth of 2% supported by increased activity in transportation, retail and wholesale trade, and health and education services.

Manufacturing activity advanced despite lower output in the transportation equipment industry. Output of both wood products and processed seafood increased. Significant increases were also registered in the plastic product industries and the electronic equipment industry.

Appreciation of the Canadian dollar, increased costs for oil and gas, and higher interest rates all present challenges. As a result, the manufacturing sector continues to face many challenges in the global market, especially with increased competition from low-cost producers in countries like China and India. In addition, the tourism sector is facing an expected decline in the number of American visitors. Nova Scotia operators have lost the price advantage that they held in recent years and are seeking alternative ways to enhance tourism attraction. The tourism industry is also bracing for the impact of the United States' Western Hemisphere Travel Initiative, which will require their citizens to hold American passports when they travel to Canada. American air travellers will be impacted by the new border regulation as early as December 31, 2006.

Nova Scotia faces a demographic challenge, which has been exacerbated recently by an increasing number of people leaving the province to seek employment elsewhere. This trend appears to be largely felt in rural areas of the province, given that the population of Halifax County has increased by almost 12,000 people in the last four years. Overall, only four of Nova Scotia's 18 counties have seen population increases in the past four years.

Many manufacturers are taking advantage of the higher Canadian dollar to invest in equipment. Ultimately, this increased investment will lead to higher productivity, giving Nova Scotia firms a better chance to compete in the global market. Additionally, emerging sectors such as information and communications technologies, biotechnology, life sciences and bio-resources, aerospace and defence will continue to represent some of the region's greatest economic opportunities.

ACOA, by working with provincial and federal stakeholders, continues to advance the Atlantic Gateway, which seeks to align global trade supply chains with the region's ports, airports, railways and highways. With the second largest deep-water port in the world, Halifax is in position to be the key component of increased international trade through the Atlantic Gateway.

Economic restructuring continues to evolve in Cape Breton after the closure of the area's two major industries, coal and steel. Investments in a number of sectors have helped to mitigate the negative impact of these closures. A number of opportunities have presented themselves over the past few years, particularly the growth of the tele-service industry, environmental remediation, liquefied natural gas, auto parts and pharmaceutical manufacturing, as well as new tourism infrastructure and activities. Keata Pharma Inc. began construction of a new building to house a pharmaceutical manufacturing facility. The venture is expected to create more than 177 new jobs.[45] Cape Breton University, in partnership with the company, launched a new Biotechnology and Pharmaceutical Technology Certificate program to train potential employees. It is anticipated that the facility will be operational in 2007.

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[45] News release, Enterprise Cape Breton Corporation, December 2004, http://www.ecbc.ca/e/newsreleases/20041203.asp.

New Brunswick

Economic output increased by 0.3% in 2005, below the 2004 rate of growth of 2.0%. Output in the goods-producing industries, which represent 30% of the province's economy, fell 3.7%. Activity fell in the forestry, fishing, manufacturing and construction industries. The service-producing industries grew by 2.0% supported by growth in retail trade and finance, insurance and real estate.

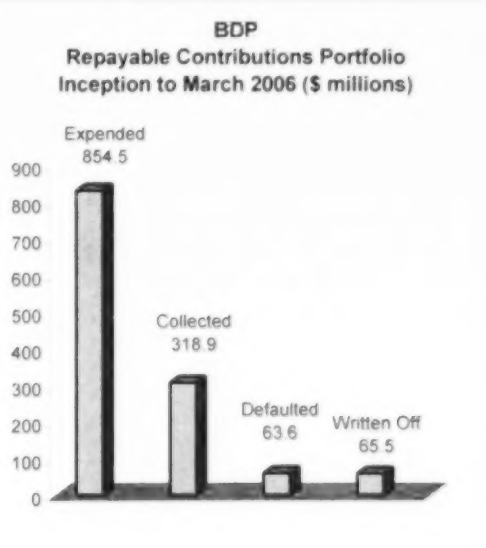
Manufacturing registered its third decline in the past five years as paper manufacturing was hit by a series of mill closures because exports of forest-based products to the United States had slowed. The weak demand for New Brunswick paper had a negative impact on the logging and trucking industries. While output in the paper industry declined significantly, production of wood products increased marginally, due primarily to a strong increase in engineered wood products.

Major construction projects, including expansion of the four-lane highway and energy projects in the Saint John region, have been the key drivers in the economy. Weak markets, a stronger Canadian dollar, and rising energy prices are negatively impacting the predominantly resource-based manufacturing sectors in the province. The forestry sector has begun to adjust to these competitive challenges. The St. Anne-Nackawic pulp mill, which closed due to bankruptcy in 2004, reopened under the ownership of Birla-Tembec in 2005, with a focus on textile-based cellulose production. UPM Kymmene Miramichi has worked on improving the efficiency at both its coated paper and groundwood pulp mills. Global competition is expected to continue to cause rationalization in the forestry sector for the near future, and cost cutting and alternative fibre opportunities will be critical to remaining competitive. Unemployment rates have continued to decline in the province, and the challenge in New Brunswick will be to ensure access to a skilled, highly productive workforce to continue to remain competitive and grow the economy.

ACOA responded to economic development challenges and opportunities by working with regional economic development partners to develop appropriate strategies. For example, ACOA's regional office continued to implement the Chaleur-Restigouche initiative, a concerted effort to diversify the economic base and reduce the economic impact of the closure of mining activities in the northeast region of the province. As part of the initiative, ACOA worked with metal companies in the region to establish a metal consortium focused on strategic marketing of metal capabilities in order to bring additional contracts to the region. The regional office also implemented a finfish development initiative that supports the development of the finfish sector in New Brunswick, based on the joint finfish strategy prepared by the provincial Department of Agriculture, Fisheries and Aquaculture and ACOA. Through this joint strategy, the Agency continued to advance the development of alternate species culture, by participating in a working group and funding projects based on industry consultations. In 2005-2006 projects were developed for sturgeon, halibut and cod.

Business Development Program
Repayable Contributions Portfolio

Since 1995, ACOA has provided interest-free, unsecured loans to SMEs under the Business Development Program (BDP) to help them start up, expand, improve productivity, develop new markets or undertake other growth-oriented activities. Commercial assistance is repayable over an average repayment term of five to seven years. The chart at right gives a picture of the portfolio from inception of the BDP in 1995 until March 2006: the Agency collected $318.9 million of repayable contributions, the cumulative rate of defaulted contracts and/or write-offs was 15.1% ($129.1 million of a total $854.5 million).



On the overall repayable portfolio (BDP and inherited programs), annual collections have increased steadily, and in fiscal 2005-2006 reached a high of $59.5 million, of which $54.9 million related to the BDP. During 2005-2006, the Agency collected approximately 81% of the fiscal year's forecasted repayments, about 14% was rescheduled to future years, and about 5% was defaulted. (In 2006-2007, collection of the overall repayable contributions portfolio is expected to total at least $53 million.)

Risk Mix

All commercial clients are risk-rated based on a five-tier gradation system. Accounts are reviewed regularly and the level and frequency of monitoring applied are adjusted in accordance with the risk rating. As of March 31, 2006, the risk mix of the BDP repayable portfolio (excluding conditionally repayable accounts where conditions were not yet met) was ranked as shown in the table to the right.

Risk Rating	Portion of Portfolio	Principal Outstanding ($ millions)
1 Low	*7%*	*19.8*
2 Low – Medium	*24%*	*71.2*
3 Medium	*41%*	*121.0*
4 Medium – High	*21%*	*61.6*
5 High	*7%*	*22.7*
Not yet rated	*0%*	*0.1*
Total	***100%***	***296.4***

More information on repayable contributions may be found on ACOA's website at http://www.acoa-apeca.gc.ca/e/financial/repayable/index.shtml.

Government Themes and Management Issues

1. Regional Federal Councils

Regional Federal Councils comprise a network of senior officials committed to the betterment of program and service delivery to Canadians in all regions of the country. Through the Regional Federal Councils, the Agency works with key federal departments in each region/province to maintain effective linkages and partnerships that co-ordinate departments' actions in those regions. ACOA vice-presidents chair and play a key co-ordinating role in Atlantic Canada's Federal Councils. The Vice-President of ACOA Nova Scotia occupies the National Chair of the Federal Councils and has focused efforts through sub-committees on four priorities: governance, expenditure review impacts, cities/communities and the northern strategy.

The mandate of the Regional Federal Councils includes the integration of improved service delivery, two-way communication with central agencies on regional perspectives and federal initiatives, and co-operation with other jurisdictions, including provincial governments. Government priorities such as human resources renewal, official languages, Aboriginal dialogue, homelessness, service delivery modernization, innovation, policy and increased capacity in regional co-ordination constitute the essence of the councils' business, while also placing increased emphasis on the *Federal Accountability Act*.

Some of the specific regional initiatives undertaken in 2005-2006 are outlined below.

New Brunswick

New Brunswick Federal Council continued to support the various committees and networks, including Aboriginal Dialogue and the Joint Economic Development Initiative. In the official languages area, funding was allocated to a wide-ranging number of activities aimed at increasing the level of awareness among federal public servants, and included an Official Languages Week that was a first for New Brunswick and extremely successful. Significant work was also undertaken on the redesign of the council's website, which is intended to raise awareness within federal government departments.

With the introduction of the *Public Service Modernization Act* (PSMA), the PSMA project team worked on an ambitious plan of activities intended to lay the foundation for horizontal measures in support of both the legal aspects of the PSMA and the cultural changes inherent to the spirit of Act. Information sessions were held in most areas of the province to support PSMA implementation readiness, reaching managers and employees in various federal departments. Planning continued toward identifying resources and areas for horizontal collaboration on areas such as human resources management (informal conflict resolution).

To meet the specific challenges that federal organizations in the region will have to take in response to initial consultations on integrated human resource planning, a statistical profile of the federal public service was developed.

In response to the requirements of the *Labour Relations Act*, a learning meeting was held involving a number of managers, human resources officers and union representatives from various organizations. The discussion of new labour relations perspectives supports the need for this continued dialogue in support of harmonious labour-management relations best able to enhance the workplace.

Nova Scotia

Chaired by ACOA's vice-president in Nova Scotia, the Nova Scotia Federal Regional Council consists of 53 federal department heads and senior officials and carries out its business through eight general meetings per year and nine committees. It is supported by an Executive Committee made up of each priority committee's chair and Council's most senior members, and a secretariat, made up of five staff members. Council's secretariat facilitates the activities of regional managers and staff on a wide range of horizontal and inter-jurisdictional management, program and policy issues.

Key activities supported by the Nova Scotia Federal Council in 2005 included: policy; human resources; official languages; service delivery; security and emergency preparedness; and federal-provincial co-ordination through the Federal Economic Development Committee - Provincial Deputy Ministers (FEDC-DM). In fact, Nova Scotia's FEDC-DM is a unique activity among councils, comprising senior federal-provincial executives mandated to build a common Nova Scotia leadership agenda through the development of shared policy goals, and advancing that agenda by providing support for Nova Scotia relations with Ottawa. Four common priorities established in 2005, each having federal and provincial co-leads, include:

1. Atlantic Gateway
2. Population
3. Environmental Sustainability
4. Innovation/Commercialization

Prince Edward Island

PSMA implementation included course offerings related to labour relations, staffing, supervisor orientation, as well as human resource and business planning. The Regional Federal Council also continues to support shared learning, as demonstrated through the development of the virtual learning component (a tool designed to provide access to various courses by all federal employees), which is now operational on the council's website.

In the official languages area, the council established the Bilingual Network for federal employees, which supports activities such as weekly lunch clubs at which guest speakers (e.g. members from the official language minority community) present various topics.

This advanced the federal public service's understanding of the particular needs and challenges of these communities. A French language Toastmasters club, held at a French language school/community (cultural) centre, also provides opportunities for inclusion of members of the official language minority community, thereby fostering improved relationships supporting community development, and a greater understanding among all of the community's needs, challenges and goals.

The rural development committee continued to work with key stakeholders in a co-ordinated approach to implement the national rural development framework. Progress was made with the creation of a number of networks, partnerships and alliances such as the PEI youth network, the repopulation strategy committee, a partnership with the provincial government's Population Secretariat on the repopulation issue for PEI (immigration, youth attraction and retention, and repatriation), the PEI Network of the Canada Volunteerism Initiative and the provincial government's Community Development Bureau.

The council also supported the PEI Managers' Network activities on topics related to change management, due diligence and enhanced service delivery. The PEI council contributed to the planning and delivery of the National Managers Forum in St. John's in April 2006, as a member of the project team. Early indications are that this was considered a highly successful event for Newfoundland and Atlantic Canada.

Newfoundland and Labrador

The Regional Federal Council was very active in advancing broad federal priorities in a number of areas. The security subcommittee of the council held a very successful simulation exercise off the Coast of the Burin Peninsula. The exercise involved numerous federal departments, other levels of government, and the government of St. Pierre and Miquelon.

Through the official languages subcommittee, a partnership was developed among federal departments led by Service Canada to establish a small office on the Port-au-Port Peninsula to deliver services to the public in French. This is one of the few Francophone areas in Newfoundland and Labrador.

The Council continued its partnership with the Canada School of Public Service (CSPS). A number of courses related to the new *Public Service Modernization Act* were offered interdepartmentally. As well, the human resources subcommittee, with assistance from the CSPS, developed and implemented an interdepartmental training strategy aimed at providing cost-effective, quality services to all departments. This was especially beneficial to smaller departments.

Overall, during fiscal year 2005-2006, activities supported by the Regional Federal Councils in the Atlantic region have proven valuable in improving relationships with other levels of government, helping to renew and strengthen the public service, and helping to improve delivery of services to Canadians.

2. Modern Business Management

Work under the Modern Business Management agenda continues to evolve at the Agency. The Agency successfully completed its third round of the Management Accountability Framework assessments. Of note, ACOA was commended for addressing under-representation of visible minorities, for its successful integration of human resources and business planning, for addressing internal audit issues, and for completing the renewal of terms and conditions for all of its programs. This demonstrates the Agency's continuous commitment to innovative management practices that strengthen accountability and stewardship. The Agency also received notable marks for its achievements on official languages at work and to the public, as well as for its external service delivery strategy and sound governance structure.

In early 2004-2005, ACOA undertook a Capacity Review, a follow-up to the 2002 Capacity Assessment, to help chart its progress and determine new directions related to Modern Business Management. The Capacity Review helped identify a smaller number of comprehensive focus areas: planning, human resources, outreach and corporate management. Since then, significant accomplishments have been noted, including the implementation of the Agency's Corporate Planning and Performance Management agenda, the full integration of the *Public Service Modernization Act*, and an ACOA reorganization to align accountabilities to its Program Activity Architecture.

3. *Official Languages Act*

ACOA's support of the French language minority community, both regional and national, is again illustrated by its continued active participation on the national committee of co-ordinators responsible for the implementation of section 41 of the *Official Languages Act* and on the National Committee on Economic Development and Employability (which is the decision-making agency of *Réseau de développement économique et d'employabilité*, a Canada-wide economic development network). Agency personnel also attend meetings with Industry Canada personnel to share the Agency's experience in relation to the implementation of section 41 and to provide advice as required. ACOA's President continues to play an active role on the Committee of Deputy Ministers on Official Languages. Also, a corporate committee on the implementation of section 41, comprising Agency representatives from across the region, held meetings to determine how best to support the French-language minority communities in the Agency's jurisdiction. A full-fledged network of official language champions was established in 2006. Champions are called upon regularly to detail the measures taken in support of section 41.

The Agency's official languages teams gave 16 presentations on the *Official Languages Act* (OLA) to 350 ACOA employees in 2006. The presentations covered the OLA in general, with emphasis on section 41. Also, a strengthened working relationship was established between section 41 personnel and those responsible for language of service to the public. Due to the overlap between the functions of the two groups, a closer working relationship was considered necessary, thus ensuring a more integrated treatment of

official language issues. ACOA's section 41 personnel attend annual general meetings and other sessions organized by stakeholders in the Atlantic region's minority official language community. Consultations conducted during these meetings enable both parties to exchange ideas on community needs and mutual priorities. Another ACOA committee allows for the exchange of information and the identification of areas of collaboration with the *Réseau de développement économique et d'employabilité* (RDÉE). ACOA's section 41 action plans are posted on the Agency's website, and ACOA personnel provided the Department of Canadian Heritage with material for publication in its section 41-42 newsletter. Agency personnel also attended and monitored activities of the Citizenship and Immigration Canada steering committee for immigration in Francophone minority communities, the Agriculture and Agri-food Canada Rural Secretariat repopulation forum, and the New Brunswick collaborative table on immigration in that province's minority languages communities. Personnel also participated in a Canadian Heritage-sponsored section 41 good practices forum in Ottawa, regional meetings of ACOA and Canadian Heritage section 41 personnel and Federal Council official languages sub-committees.

ACOA's regional offices play an indispensable role in implementing section 41 of the *Official Languages Act*. In addition to organizing the pilot projects and internship components that form part of a $2.4-million Memorandum of Understanding with Industry Canada, ACOA's regional office section 41 personnel have undertaken their own initiatives in each of the four Atlantic provinces.

In Newfoundland and Labrador, thanks to an interdepartmental partnership funded in part by ACOA, an integrated approach was implemented to provide service in French to the population on the Port-au-Port Peninsula.

In Nova Scotia, in addition to its work with the *Centre Jodrey* and the *Conseil de développement économique de la Nouvelle-Écosse*, ACOA assisted the Southwest Shore Development Authority so that it could provide service in French to the communities of Clare, Shelburne and Yarmouth.

In Prince Edward Island, ACOA struck a deal with the Société de développement de la baie acadienne and the provincial RDÉE, wherein the RDÉE works in collaboration with the Agency to provide services in French to the island's minority official language community.

In New Brunswick, where there resides the largest population of Acadians and Francophones in Atlantic Canada, an array of initiatives was undertaken, and regular contact was ensured with several provincial groups representing minority language communities, including the *Conseil économique du Nouveau-Brunswick, l'Association acadienne des artistes professionnels du Nouveau-Brunswick, la Société des Acadiens et Acadiennes du Nouveau-Brunswick* and *l'Association francophone des municipalités du Nouveau-Brunswick*.

Results-based Management

The primary goal of results-based management is to provide ACOA's managers with timely, accurate, balanced and evidence-based information on the soundness of the Agency's risk management strategies and practices; the design and operation of management control frameworks, systems and practices; and the performance, relevance and cost-effectiveness of the Agency's various programs, policies and initiatives.

Evidence-based information contained in audits, evaluations and reviews is used by external stakeholders such as central agency officials, parliamentarians and the general public to gauge Agency results or outcomes. It is also used by internal ACOA managers to make strategic and operational decisions on improving the overall effectiveness of the Agency's programming and to account for results.

The Policy on Internal Audit and Evaluation (Review Policy) continues to provide guidance on reporting, accountability, transparency and protecting the public interest with regard to the Agency's programs. The policy recognizes the value of the role of the Agency's evaluation and internal audit services in providing independent, objective and evidence-based information on the results of ACOA's activities. The policy also recognizes that a quality review function requires the effort of Agency managers who have responsibility for demonstrating performance and acting on performance information. ACOA's Review Policy serves as a framework for conducting audits and evaluations and protecting the public interest by focusing on process (e.g. how audits and evaluations are conducted) and reporting on results achieved using public funds.

In order to better align the need for improved reporting, accountability and transparency, the Agency reorganized its Review Services division. The Evaluation and Performance Measurement units were brought under the Corporate Planning and Performance Management (CPPM) division, with Internal Audit operating as a separate function. This new structure strengthens the link between program planning, monitoring and evaluation and solidly positions the Internal Audit function to provide assurance services to departmental senior management.

An audit and evaluation secretariat was created to improve co-ordination among ACOA's groups in addressing recommendations made in audits and evaluations, and implementing the corresponding Management Action Plans. In its first year of operation, the secretariat facilitated the implementation of several audit and evaluation recommendations. Agency management teams implemented ten Management Action Plans, with another five near completion.

A list of audits and evaluations completed in 2005-2006 appears in Section III, Response to Parliamentary Committees, Audits and Evaluations. More information on audits, evaluations and the corresponding Management Action Plans may be found on ACOA's website at http://www.acoa-apeca.gc.ca/e/library/audit.shtml

Corporate Services

Efficiently and effectively managed resources and administrative systems and services to support management decision-making, accountability and operational control.

Financial Resources ($ millions)		
Planned	Authorities	Actual
24.2	29.6	29.6

Human Resources (Full-Time Equivalents – FTEs)		
Planned	Actual	Difference
222	224	(2)

The administrative functions of Corporate Services are distributed across all ACOA's strategic outcomes. For the purpose of Section IV, total Corporate Services spending is provided separately; however, allocation of funding is incorporated within the Agency's program activities in Sections I through III of this report.

Specific plans, targets and results are presented in the following table.

Target: *Corporate Planning*	**Result:**
a) Continue implementation of an integrated planning process for the Agency	a) Integrated planning process successfully piloted in 2005-2006
b) Integrate the Modern Business Management (MBM) efforts into the new Corporate Planning division	b) MBM efforts integrated into the Corporate Planning division
c) Implement the new action plan for Modern Business Management developed to address the findings of the 2004 follow-up Capacity Review	c) Action plan for the four focus areas implemented (for details on results, see Modern Business Management in Section IV)
d) Lead implementation of the Agency's Management Accountability Framework (MAF)	d) Agency commended in the third round of the MAF assessment for progress made on several indicators in 2005-2006[46]

ACOA has accomplished significant milestones during the course of the 2005-2006 planning cycle. The Agency's first executive planning session was held in April 2005. Following this event, all regions and branches successfully completed and submitted operational plans and human resource plans based on a standard template and timeline. Furthermore, all operational plans were aligned to the Agency's Program Activity Architecture, clearly demonstrating how the operations of the Agency will advance the realization of its strategic outcomes. These plans formed the basis for the development of the 2006-2007 Report on Plans and Priorities.

A revamped planning process for 2007-2008 was also developed (with specific timelines and expectations) in conjunction with the corporate planning committee. This process has helped to build clarity and accountability for the 2007-2008 planning exercise.

[46] The Agency received commendable observations from Treasury Board of Canada and the Public Service Human Resources Management Agency of Canada in its annual review of the MAF.

Target: *Communications*	**Result:**
a) Improve the awareness and understanding of the Agency's programs and services and how they can be accessed	a) On track; media research and analysis shows increase in awareness and understanding of ACOA's programs and services among the general public and key stakeholders

Widespread media coverage of various ACOA initiatives over the 2005-2006 year indicates good support and demand for ACOA programs among Atlantic Canadians. It also indicates that Atlantic Canadians have a good understanding of ACOA programs and how to access them. In particular, provincial, municipal and business leaders, entrepreneurs, and post-secondary research institutions endorsed and/or accessed ACOA programs in areas such as community development, research and development, trade development, and skills development.

Communications efforts to achieve this target included:

- support to Team Canada Atlantic trade missions to the U.S. and a women-only trade mission to Boston;
- promotion of successful young entrepreneur initiatives;
- promotion of the renewed Atlantic Innovation Fund and announcement of projects under the fund;
- development of materials to attract foreign direct investment;
- promotion and announcement of projects under the Municipal Rural Infrastructure Fund and the new Innovative Communities Fund; and
- enhancements to ACOA's public website.

Target: *Finance and Administration*	**Result:**
a) Review the Agency's activities to align resources with priorities as stated in the Government of Canada's Speech from the Throne and budget documents	a) Agency reviewed its activities; resources are in alignment with priorities as stated in the Speech from the Throne and budget
b) Agency will plan, report and be accountable for its choices by focusing on strategic outcomes by implementing the new Program Activity Architecture	b) Agency implemented its new Program Activity Architecture; strategic outcomes are the focus of plans and reports that highlight the choices for which the Agency is accountable
c) Agency to focus its plans and priorities on achieving excellence in the stewardship of public funds; three priority areas are management performance, expenditure management, and financial management and control	c) Agency maintained its goal of achieving excellence in the stewardship of public funds. Management responds to the challenges presented to the Agency, expenditures are managed well within budgets, and there is an ongoing commitment to exercise sound financial management and control over financial and human resources

Target: *Corporate Systems*	**Result:**
a) Through the use of Web technology and service transformation, continue to increase the availability of corporate information, integrate program management and finance reporting systems, and prepare key service systems for online delivery	a) On track

Internet

Through partnership with the program delivery and Communications areas of the Agency, Corporate Systems provides a variety of users with easy access to information on the Internet (users include ACOA clients, partners, researchers and academics). The Internet offers a transactional tool (ACOA Direct), a

variety of information documents, studies, and numerous other required tools in an environment where sharing of information is an essential part of doing business.

Modernization of Technology Platform
Delivering state-of-the-art Web management tools requires an appropriate platform. A major part of the fiscal year's effort went into upgrading the Agency's servers and workstations to the MS Server 2003, Microsoft XP Professional operating system and MS Office Suite. The integration of these systems allows ACOA to further exploit the technologies of Windows SharePoint Services (WSS), which is a Web-based software that allows the Agency to provide solutions for a multitude of internal requirements (such as shared directories, project document repositories, electronic document management, and forms management).

Intranet
Although the Agency has had an intranet site for many years, it has functioned mainly as a menu to access information and sub-sites. Corporate Systems is working with the Agency's Communications section in using a new content management server software designed specifically for allowing content creators and editors to manage large and quickly changing websites. The Agency's innovative intranet site assumed the name of the quarterly newsletter that it replaced, Rendezvous.

ECBC Technical Support
ACOA has signed a Memorandum of Understanding to provide technical support to Enterprise Cape Breton Corporation. This provides an opportunity for sharing the Agency's best practices with that corporation.

Target: *Audit and Evaluation*	**Result:**
a) Provide information as an aid to decision-making and strategic management and, ultimately, to facilitate program improvement and organizational learning through fair, reliable, valid and understandable internal audits and evaluations	a) Target met

Over the 2005-2006 fiscal year, audits and evaluations of various programs and operations were completed, providing decision-makers with strategically focused information to improve services to stakeholders and clients. ACOA's Audit Directorate completed a number of audits and reviews, providing managers the assurance that their programs were being administered in compliance with established policies, regulations and guidelines. Information on ACOA's evaluations, reviews and audits may be found on the Agency's website at http://www.acoa-apeca.gc.ca/e/library/audit.shtml.

Target: *Human Resources*	**Result:**
a) Modernize human resources management	a) Ongoing
b) Integrate a human resources plan within the Agency's business plan	b) Target met
c) Create a new five-year employment equity plan	c) Target met

Modernize human resources management
Regarding employee position classifications, the cyclical review period for all Agency generic employee positions was extended to five years. This would mean that managers using these positions could immediately proceed to staffing. The electronic organization chart software makes it possible to have up-to-date position information and organizational structure information available to all staff on a real-time basis. The Agency has undertaken an exhaustive exercise to convert work description to an abbreviated format in line with the four functions of the *Canadian Human Rights Act*.

AOCA has undertaken the necessary measures to increase regional human resources capacity, and successfully implemented the *Public Service Modernization Act* (PSMA), including strengthening human

resources planning, and fostering cultural change. To support the implementation of the PSMA, ACOA provided training on the staffing process to approximately 120 newly sub-delegated managers, information sessions to all staff in regard to the *Public Service Employment Act* and informal conflict resolution, and had panel discussions on a variety of PSMA issues throughout the Agency. In addition, the Agency developed policies, guidelines, information and tools to facilitate this transition, and established a steering committee on staffing monitoring.

In accordance with the PSMA, ACOA decentralized certain human resources functions (to its regional offices), and supported this decentralization by designating new human resources professionals in those offices.

In support of planning and career development, ACOA developed a pilot for a professional development program to support aspiring and potential managers. ACOA has taken a leadership role and interim steps to integrate competency-based human resources management into the workplace.

Integrate a human resources plan within the Agency's business plan
In fiscal year 2005-2006, for the first time ever, ACOA conducted an integrated human resources planning exercise at all levels of the Agency. The exercise included all aspects of strategic human resources management, such as succession planning, official languages, employment equity, career development and recruitment.

Create a new five-year employment equity plan
The Agency developed, communicated and implemented a new five-year employment equity plan, effective December 2005. A section on employment equity has also been included in the Agency's integrated human resources planning exercise. Although already meeting workforce availability levels in terms of Aboriginals, persons with disabilities, and visible minorities, the Agency hired one additional visible minority employee this year, and one female was appointed to the executive group.

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